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January 23, 2003

Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243

Re: NUI Telecom, Inc.

DOCKET NO.
03-00066

Dear Sir:

Enclosed for filing with the Regulatory Authority, please find an original and thirteen (13) copies of the above captioned corporation's *APPLICATION FOR A CERTIFICATE TO PROVIDE COMPETING LOCAL TELECOMMUNICATIONS SERVICES* within the State of Tennessee, along with a check in the amount of $25.00 for filing fees relating to same.

In addition, enclosed is a duplicate copy of this filing. Please date-stamp the duplicate and return it to me in the enclosed stamped, self-addressed envelope.

Should you have any questions concerning this filing, please contact me.

Very truly yours,

EARLY, LENNON, CROCKER & BARTOSIEWICZ, P.L.C.

Patrick D. Crocker
PDC/pas

Enclosures

BEFORE THE TENNESSEE REGULATORY AUTHORITY

**IN THE MATTER OF THE APPLICATION
OF NUI TELECOM, INC.
FOR A CERTIFICATE
TO PROVIDE COMPETING LOCAL
TELECOMMUNICATION SERVICES**

APPLICATION FOR CERTIFICATE TO PROVIDE COMPETING LOCAL TELECOMMUNICATIONS SERVICES

Pursuant to applicable Tennessee Statutes and the Rules and Regulations of the Tennessee Regulatory Authority and Section 253 of the Federal Telecommunications Act of 1996 ("Act"), NUI Telecom, Inc. ("NUI") was previously granted authority to resell telecommunications services in Docket No. 02-00472. NUI respectfully requests that the Tennessee Regulatory Authority ("TRA") expand NUI's authority to provide facilities-based competing local telecommunications services, including exchange access telecommunications services, within the State of Tennessee. NUI is willing and able to comply with all applicable rules and regulations in Tennessee pertaining to the provision of competing local telecommunications services. TCA 65-4-201

In support of its Application, NUI submits the following:

1. The full name and address of the Applicant is:

NUI Telecom, Inc.
550 Route 202-206, 2nd Floor
Bedminster, NJ 07921
Telephone: (908) 470-4700
Facsimile: (908) 470-4707
Toll Free: (800) 768-2852

Questions regarding this application should be directed to:

Patrick D. Crocker
Early, Lennon, Crocker& Bartosiewicz, P.L.C.
900 Comerica Building
Kalamazoo, MI 49007
Telephone: (269) 381-8844
Facsimile: (269) 381-8822

Contact name and address at the Company is:

Richard M. Boudria, President
NUI Telecom, Inc.
550 Route 202-206, 2nd Floor
Bedminster, NJ 07921
Telephone: (908) 470-4700
Facsimile: (908) 470-4707

2. Organizational Chart of Corporate Structure: Include any pertinent acquisition or merger information.

See **Exhibit A**

3. Corporate information:

NUI Telecom, Inc. f/k/a International Telephone Group, Inc. was organized the State of New Jersey on April 4, 1994. A copy of NUI's Articles of Incorporation is provided in **Exhibit B**. A copy of NUI's Authority to transact business in the State of Tennessee is provided in **Exhibit C**. The names and addresses of the principal corporate officers and directors are provided in **Exhibit D**. There are no officers in Tennessee. The biographies of the principal officers and any other key technical staff are in **Exhibit E**.

4. NUI possesses the managerial, technical, and financial ability to provide local telecommunications service in the State of Tennessee as demonstrated below:

A. Financial Qualifications:

NUI is a wholly owned subsidiary of NUI Corporation. In support of its financial qualifications, NUI Telecom, Inc. attaches NUI Corporation's 10Q as **Exhibit F**.

Exhibit G is a capital expenditures budget for indicating type of equipment to be purchased, cost, and sources for funding of projected capital expenditures.

NUI's financials nor their projected financials reflect any revenues or expenses associated with reciprocal compensation.

The Company's original Corporate Surety Bond was provided in the Company's reseller application and is on file with Commission, a copy is provided as **Exhibit H**

B. Managerial Ability:

As shown in **Exhibit E** to this Application, NUI has the managerial expertise to successfully operate a telecommunications enterprise in Tennessee. As described in the attached biographical information, NUI's management team has extensive management and business experience in telecommunications.

C. Technical Qualifications:

NUI services will satisfy the minimum standards established by the TRA. The Company will file and maintain tariffs in the manner prescribed by the TRA and will meet minimum basic local standards, including quality of service and billing standards required of all LEC'S regulated by the TRA. Applicant does not have any special CPE (Customer Premise Equipment requirements which would not be compatible with the Incumbent Local Exchange Carrier's systems. As noted in the biographies **Exhibit E** of the principal officers, the officers have several years of telecommunications expertise. Thus, NUI is certainly technically qualified to provide local exchange service in Tennessee.

5. Proposed Service Area:

NUI is authorized to provide telecommunications services in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Mississipi, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin, and Wyoming.

The applicant proposes to offer its services throughout the State of Tennessee as a reseller and facilities-based carrier in the areas that are currently being served by BellSouth and Sprint/United, which are designated open to competition. NUI intends to offer this broad range of telecommunications services through the use of facilities-based and resold services. The company intends to provide service using the unbundled network element ("UNE-P") platform.

6. Types of Local Exchange Service to be provided:

NUI expects to offer a broad variety of local exchange services, to business and residential customers in Tennessee. NUI's initial line of local services will be comparable to that currently offered by the incumbent LECS. Initially NUI plans to offer basic access line service, Optional Calling Features, Directory Assistance, Directory Services, and Operator Services, as well as all services required under Chapter 1220-4-8-.04 (3) (6) and (2).

7. Repair and Maintenance:

NUI understands the importance of effective customer service for local service customers. NUI has made arrangements for its customers to call the company at its toll- free customer service number 1-800-768-2852. In addition, customers may contact the company in writing at the headquarters address at NUI Telecom, Inc., 550 Route 202-206, Bedminster, NJ 07921. The toll free number will be printed on the customer's monthly billing statements. The Tennessee contact person knowledgeable about providers operations is Richard Boudria reference (1.) above.

Grant of the Application will further the goals of the Tennessee Legislature and further the public interest by expanding the availability of competitive telecommunications services in the State of Tennessee. In addition, intrastate offering of these services is in the public interest because the services will provide Tennessee customers increased efficiencies and cost savings. Authorizing NUI to provide local exchange telecommunications services will enhance materially the telecommunications infrastructure in the State of Tennessee and will facilitate economic development.

In particular, the public will benefit both directly, through the use of the competitive services to be offered by NUI and indirectly, because NUI's presence in Tennessee will increase the incentives for other telecommunications providers to operate more efficiently, offer more innovative services, reduce their prices, and improve their quality of service. Grant of this Application will further enhance the service options available to Tennessee citizens for the reasons set forth above.

8. Small and Minority-Owned Telecommunications Business Participation Plan: (65-5-212): **Exhibit I**

9. Toll Dialing Parity Plan: **Exhibit J**

10. Applicant has served notice of this application to the eighteen (18) incumbent local exchange telephone companies in Tennessee with a statement regarding the companies intention of operating geographically. See **Exhibit K** for the list.

11. Numbering Issues: Statement provided in **Exhibit L**

12. Tennessee Specific Operational Issues: Statements provided in **Exhibit M**

13. Miscellaneous:

    A. Sworn Pre-filed testimony: **Exhibit N**
    B. Applicant does not require customer deposits
    C. As of now NUI has not been subject to complaints in any of the states, in which the company is doing business.
    D. Applicant will file a tariff for Commission approval prior to commencing operations in Tennessee.

CONCLUSION:

NUI respectfully requests that the TRA enter an order granting it a certificate of convenience and necessity to operate as a competing telecommunications service provider and authority to provide a full range of local exchange service on a resale basis throughout the State of Tennessee in the service areas of Bell South, GTE and Sprint and any other ILEC that does not enjoy a rural exemption under Section 251(f) of the Telecommunications Act of 1996. For the reasons stated above, NUI's provision of these services would promote the public interest by providing high-quality service at competitive prices and by creating greater economic incentives for the development and improvement for all competing providers.

Respectfully submitted this 23rd day of January, 2003

Patrick D. Crocker
Counsel for NUI Telecom, Inc.
Early, Lennon, Crocker & Bartosiewicz, P.L.C.
900 Comerica Building
Kalamazoo, MI 49007
269-381-8844 Telephone
269-381-8822 Facsimile

EXHIBIT A

Organizational Chart of Corporate Structure

Corporate Overview

Corporate Profile

NUI Corporation -- (NYSE:NUI) -- based in Bedminster, New Jersey, is a multi-state company engaged in the sale and distribution of natural gas, energy commodity trading and marketing, sales outsourcing and telecommunications. The Company's utility divisions serve approximately 380,000 customers in seven states along the eastern seaboard of the United States and comprise Elizabethtown Gas (NJ), City Gas Company of Florida, North Carolina Gas, Valley Cities Gas (PA), Elkton Gas (MD), Waverly Gas (NY) and Virginia Gas. Virginia Gas is also engaged in other activities, such as pipeline operation, natural gas storage, gathering, marketing and distribution services; natural gas exploration, production and well operation; and propane distribution. NUI's other businesses include NUI Energy Brokers, Inc., an energy wholesaler; NUI Energy, Inc., an energy retailer; NUI Energy Solutions, Inc., an energy project development and consulting entity; NUI Ventures, a business development division (NUI Environmental Group, NUI International, NUI Fuel Cell Ventures); Utility Business Services, Inc., a customer and geographic information systems and services subsidiary; TIC Enterprises, LLC, a sales outsourcing firm; and NUI Telecom, Inc., a full-service telecommunications company

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

(Mark One)
X **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to_____

Commission File Number 001-16385

NUI CORPORATION
(Exact name of registrant as specified in its charter)

New Jersey	**22-3708029**
(State of incorporation)	(IRS employer identification no.)

550 Route 202-206, P. O. Box 760, Bedminster, New Jersey 07921-0760
(Address of principal executive offices, including zip code)

(908) 781-0500
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	
Common Stock, No ParValue	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes X No

Indicate by check mark if disclosure of delinquent filers, pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference to Part III of this Form 10-K or any amendment to the Form 10-K:

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the act):

Yes X No

The aggregate market value of 15,313,409 shares of common stock held by non-affiliates of the registrant calculated using the $15.06 per share closing price on November 30, 2002 was $230,619,940.

The number of shares outstanding for each of the registrant's classes of common stock, as of November 30, 2002:

Common Stock, No Par Value: 16,000,043 shares outstanding.

Documents incorporated by reference: the registrant's definitive Proxy Statement for the registrant's Annual Meeting of Stockholders, to be filed with the Securities and Exchange Commission on or before January 28, 2003.

NUI Corporation

Annual Report on Form 10–K For The

Fiscal Year Ended September 30, 2002

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NUI Corporation

Annual Report on Form 10–K for the

Fiscal Year Ended September 30, 2002

PART I

Item 1. Business

NUI Corporation and its subsidiaries (collectively referred to as NUI or the company) was incorporated in New Jersey in 2000. On that date, NUI reorganized as a holding company, exempt from the registration under the Public Utility Holding Company Act of 1935. NUI was originally incorporated in 1969.

The company is a diversified energy company that is primarily engaged in the sale and distribution of natural gas, energy commodity trading and portfolio management, retail energy sales and telecommunications. During fiscal 2002, the company's utility operations served more than 385,000 customers in seven states along the eastern seaboard of the United States and comprised Elizabethtown Gas Company (New Jersey), City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania), Waverly Gas (New York) and Virginia Gas. Virginia Gas is also engaged in other activities, such as pipeline operation and natural gas storage. The company's non–regulated subsidiaries include NUI Energy Brokers, Inc. (Energy Brokers), an energy wholesaler; NUI Energy, Inc. (NUI Energy), an energy retailer; NUI Environmental Group, Inc. (NUI Environmental), an environmental project development subsidiary; Utility Business Services, Inc. (UBS), a geospatial and customer information systems and services subsidiary; NUI Telecom, Inc. (NUI Telecom), a full–service telecommunications company; and TIC Enterprises, LLC (TIC), a sales outsourcing subsidiary.

The company sold North Carolina Gas on September 30, 2002, and completed the sale of Valley Cities Gas and Waverly Gas November 7, 2002. During July 2002, the company announced it was closing down two of the four product lines of TIC. In addition, the company has been seeking a buyer for NUI Environmental since September 2002. As of September 30, 2002, the company has classified North Carolina Gas, Valley Cities Gas, Waverly Gas, NUI Environmental, and the two product lines of TIC as discontinued operations. Reference is made to Note 10 of the Notes to the Consolidated Financial Statements for a further discussion about these operations.

The principal executive offices of the company are located at 550 Route 202–206, Box 760, Bedminster, NJ 07921–0760; telephone: (908) 781–0500.

The company's operations are organized and managed under three primary segments: Distribution Services, Wholesale Energy Marketing and Trading, and Retail and Business Services. The company also has corporate operations that do not currently generate operating revenues. Reference is made to Note 20–Business Segment Information of the Notes to the Consolidated Financial Statements for a discussion regarding the business segments of the company. See also Item 6–Selected Financial Data–Summary Consolidated Operating Data for summary information by customer class with respect to operating revenues, gas volumes sold or transported and average number of utility customers served. A discussion of the business of each segment follows.

Distribution Services Segment

Products and Services

During fiscal 2002, the Distribution Services segment distributed natural gas in seven states through the company's regulated utility operations. These distribution services are regulated as to price, safety and rate of return by the regulatory commissions of the states in which the company operates (see Regulation). During fiscal 2002, the Distribution Services segment served more than 385,000 customers, of which 67 percent were in New Jersey and 33 percent were in other states (this includes approximately 20,700 customers of discontinued operations). Most of the company's utility customers are residential and commercial customers who purchase gas primarily for space heating. Distribution Services' operating revenues from continuing operations were $391.3 million in fiscal 2002, $489.6 million in fiscal 2001 and $381.5 million in fiscal 2000. In fiscal 2002, this segment represented 70 percent of the total operating revenues of the company. Of this amount, 82 percent was generated by utility operations in New Jersey and 18 percent was generated by utility operations in other states. Gas volumes sold or transported by continuing operations in fiscal 2002 amounted to 75.0 million Mcf (a basic unit of measurement for natural gas comprising 1,000 cubic feet of gas), of which approximately 86 percent was sold or transported in New Jersey and 14 percent was sold or transported in other states. Distribution Services' operating revenues from discontinued operations during fiscal 2002 amounted to approximately $22.8 million. Gas volumes sold or transported by discontinued operations in fiscal 2002 amounted to 6.7 million Mcf. A description of each of the company's utility operations follows.

Elizabethtown Gas Company (Elizabethtown). Elizabethtown, which began operations in 1855, provides natural gas service to approximately 258,000 customers in franchised territories within seven counties in central and northwestern New Jersey. Elizabethtown's service territories cover approximately 1,300 square miles and have a total population of approximately 1.1 million. Most of the state's customers are located in densely populated central New Jersey, where increases in the number of customers are primarily from conversions to gas heating from alternative forms of heating. In the rapidly growing northwest region of the state, new customer additions are primarily driven by new construction.

Elizabethtown's regulated gas volumes sold or transported and customers served for the past three fiscal years were as follows:

Regulated Gas Volumes Sold or Transported (in thousands of Mcf)

	2002	2001	2000
Firm Sales:			
Residential	17,994	21,475	19,725
Commercial	6,097	8,398	6,857
Industrial	343	499	454
Interruptible Sales	9,905	12,641	14,712
Transportation Services	29,893	26,459	27,076
Total	64,232	69,472	68,824

Utility Customers Served (twelve–month average)

	2002	2001	2000
Firm Sales:			
Residential – Heating	184,224	180,605	176,255
Residential – Non–heating	53,694	54,563	55,452
Commercial	17,397	17,024	16,159
Industrial	212	219	205
Interruptible Sales	21	25	23
Transportation Services	2,333	2,475	3,103
Total	257,881	254,911	251,197

Gas volumes sold to Elizabethtown's firm customers are sensitive to the weather in New Jersey. In fiscal 2002, the weather in New Jersey was 23 percent warmer than normal and 21 percent warmer than the prior year. Additionally, weather in fiscal 2001 was 2 percent warmer than normal and 10 percent colder than fiscal 2000. While the effect of the warm weather has impacted sales to heating customers, Elizabethtown's tariff contains a weather normalization clause that is designed to help stabilize the Company's results by increasing amounts charged to customers when weather has been warmer than normal and decreasing amounts charged when weather has been colder than normal. As a result of weather normalization clauses, operating margins were approximately $8.5 million and $0.6 million higher in fiscal 2002 and 2001, respectively, than they would have been without such clauses. For a further discussion on variations in revenues, see Item 7– Management's Discussion and Analysis of Financial Condition and Results of Operations.

Elizabethtown's customers currently have the ability to utilize transportation service from the company and purchase their gas from other suppliers. The rate charged to transportation customers remains regulated as to price and returns. Tariffs for transportation service have been designed to provide the same margins as bundled sales tariffs. Therefore, except for the regulatory risk of full recovery of gas costs, Elizabethtown is financially indifferent as to whether it transports gas or sells gas and transportation together.

On November 22, 2002, the company settled its 2002 rate case with the New Jersey Board of Public Utilities (NJBPU). Under the terms of the settlement, the company immediately received an annual base rate increase of approximately $14.2 million. The new rate level provides for an allowed return on equity of 10.0 percent and an overall rate of return of 7.95 percent.

In response to the Electric Discount and Energy Competition Act which was signed into law in February 1999, on March 30, 2001, the NJBPU approved a stipulation which enabled all retail customers in New Jersey to choose a natural gas supplier, provided an incentive for these customers to choose an alternate natural gas supplier and allowed the company to continue offering basic gas supply service through December 2002. On January 17, 2002, the NJBPU issued an order that continued the obligation of all New Jersey gas utilities to provide basic gas supply service until it has had an opportunity to fully investigate major policy issues relating to pricing structure and gas supply reliability. No timetable has been established for completion of such a review. As of September 30, 2002, no residential customers in the company's New Jersey service territory have switched to an alternate gas supplier.

Elizabethtown's "interruptible" customers have alternative energy sources and use gas on an "as available" basis. Variations in the volume of gas sold or transported to these customers do not have a significant effect on the company's earnings because, in accordance with New Jersey regulatory requirements, 80 percent of the margins that otherwise would be realized on gas sold or transported to interruptible customers are used to reduce gas costs charged to firm sales customers.

City Gas Company of Florida (City Gas). City Gas is the second largest natural gas utility in Florida, supplying gas to more than 101,000 customers in Dade and Broward Counties in south Florida, and in Brevard, Indian River and St. Lucie Counties in central Florida. City Gas' service areas cover approximately 3,000 square miles and have a population of approximately 1.7 million.

City Gas' regulated gas volumes sold or transported and customers served for the past three fiscal years were as follows:

Regulated Gas Volumes Sold or Transported (in thousands of Mcf)

	2002	2001	2000
Firm Sales:			

Residential	1,738	1,930	1,854
Commercial	1,779	2,194	3,077
Industrial	57	129	159
Interruptible Sales	30	66	70
Transportation Sales	6,098	5,156	4,701
Total	9,702	9,475	9,861

Utility Customers Served (twelve–month average)

	2002	2001	2000
Firm Sales:			
Residential	96,085	95,963	95,442
Commercial	3,756	3,984	4,530
Industrial	6	8	8
Interruptible Sales	3	5	4
Transportation Services	1,656	1,313	617
Total	101,506	101,273	100,601

City Gas' residential customers purchase gas primarily for water heating, clothes drying and cooking. Some customers, principally in central Florida, also purchase gas to provide space heating during the relatively mild winter season. Year–to–year growth in the average number of residential customers primarily reflects new construction.

City Gas' commercial business consists primarily of schools, businesses and public facilities. As with its residential markets, the company is seeking to maximize the utilization of its existing mains by emphasizing marketing efforts toward potential commercial business along these lines.

Certain commercial and industrial customers have converted their natural gas service from a sales basis to a transportation basis. City Gas' transportation tariff provides margins on transportation services that are substantially the same as margins earned on gas sales. Therefore, except for the regulatory risk of full recovery of gas costs, City Gas is financially indifferent as to whether it transports gas or sells gas and transportation together.

On January 16, 2001, City Gas received approval from the Florida Public Service Commission (FPSC) to increase its annual base rates by $5.13 million to cover the cost of service enhancements and reliability improvements since City Gas' last base rate increase in 1996. The new rate level provides for an allowed return on equity of 11.5 percent and an overall rate of return of 7.88 percent.

Elkton Gas (Elkton). The company, through Elkton, provides gas service to approximately 5,000 customers in franchised territories comprising approximately 14 square miles within Cecil County, Maryland. During fiscal 2002, Elkton sold approximately 830,000 Mcf of gas as follows: 26 percent sold to residential customers, 18 percent sold to commercial customers and 56 percent sold to industrial customers.

Virginia Gas Distribution Company (VGDC). The company, through VGDC, provides gas service to approximately 300 customers in franchised territories within Buchanan and Russell Counties, Virginia. After being acquired on October 4, 2001, VGDC sold approximately 239,000 Mcf of gas as follows: 4 percent sold to residential customers, 8 percent sold to commercial customers and 88 percent sold to industrial customers.

The following natural gas distribution companies were sold during fiscal 2002 or are being held for sale at September 30, 2002 (see Note 10 of the Notes to the Consolidated Financial Statements and Commitments and Contingencies– Sale of North Carolina Gas and Sale of Valley Cities Gas and Waverly Gas).

North Carolina Gas. The company, through North Carolina Gas, provided gas service to approximately 14,200 customers in Rockingham and Stokes Counties in North Carolina, which territories comprised approximately 700 square miles. During fiscal 2002, the regulated operations of North Carolina Gas sold or transported approximately 3.6 million Mcf of gas as follows: 20 percent sold to residential customers, 12 percent sold to commercial customers, 5 percent sold to industrial customers and 63 percent transported to commercial and industrial customers.

Valley Cities Gas and Waverly Gas (VCW). VCW provides gas service to approximately 6,500 customers in franchised territories comprising 114 square miles within Bradford County, Pennsylvania and the Village of Waverly, New York and surrounding areas, respectively. During fiscal 2002, the regulated operations of VCW sold or transported approximately 3.2 million Mcf of gas as follows: 16 percent sold to residential customers, 4 percent sold to commercial customers, 7 percent sold to industrial customers and

73 percent transported to commercial and industrial customers.

Gas Supply and Operations

In recent years, the gas industry has been undergoing structural changes designed to increase competition in response to policies of the Federal Energy Regulatory Commission (FERC) and local regulatory commissions. Traditionally, interstate pipelines were wholesalers of natural gas to local distribution companies and generally did not provide separate transportation or other services for specific customers. In 1992, the FERC issued Order No. 636 that, among other things, mandated the separation or "unbundling" of interstate pipeline sales, transportation and storage services and established guidelines for capacity management effective in 1993. In fiscal 1995, the NJBPU unbundled the services provided and the rates charged to New Jersey commercial and small industrial customers as well. The transition to more competitive rates and services has the effect of increasing the opportunity for local gas distribution companies, and industrial and commercial customers, to purchase natural gas from alternative sources, while increasing the potential business and regulatory risk borne by a local gas distribution company with respect to the acquisition and management of natural gas services.

The company endeavors to utilize its pipeline capacity efficiently by matching capacity to its load profile to the extent feasible. To this end, the company has had a broad unbundled service tariff for certain of its customers since 1987. The company continues to avail itself of opportunities to improve the utilization of its pipeline capacity by pursuing broad- based customer growth, including off-peak markets and utilizing capacity release and off-system sales opportunities afforded by Order No. 636 when operationally feasible.

The company's gas supply for its utility divisions during fiscal 2002 came from the following sources: approximately 4 percent from long-term purchase contracts; approximately 69 percent from seasonal or monthly purchase contracts and 27 percent from daily purchases made in the spot market. The company manages its gas supply portfolio to assure a diverse, reliable and secure supply of natural gas at the lowest reasonable cost. In fiscal 2002, the company's largest single supplier accounted for approximately 11 percent of the company's total gas purchases.

The company has long-term gas delivery contracts with seven interstate pipeline companies. Under these contracts, the company has a right to deliver, on a firm year-round basis, up to 91.3 million Mcf of natural gas annually with a maximum of approximately 268,000 Mcf per day. Both the price and conditions of service under these contracts are regulated by the FERC.

The company has long-term gas purchase contracts for the supply of natural gas for its system with two suppliers. Under these contracts, the company has a right to purchase, on a firm year-round basis, up to 6.3 million Mcf of natural gas annually with a maximum of approximately 16,528 Mcf per day. In order to achieve greater supply flexibility, and to more closely match its gas supply portfolio to changes in the market it serves, the company recently allowed two long-term gas supply contracts to expire at the conclusion of their primary terms. As a result, the company has reduced its fixed gas cost obligations. The company has replaced the supply with shorter-term, seasonal and monthly firm supply, thus reducing the average term of its gas purchase obligations. In addition, the company has access to spot market gas through the interstate pipeline system to supplement or replace, on a short-term basis, portions of its long-term gas purchase contracts when such actions can reduce overall gas costs or are necessary to supply interruptible customers. In fiscal 1995, the company, along with seven other Northeastern and Mid-Atlantic gas distribution companies, formed the East Coast Natural Gas Cooperative LLC (the Co-op). The Co-op was formed with the goal of jointly managing certain portions of the members' gas supply portfolios, to increase reliability and reduce costs of service to customers, and to improve the competitive position of the member companies. Participation in, and reliance upon, certain contractual arrangements among Co-op members has allowed the company to reduce costs associated with winter services.

In order to have available sufficient quantities of gas during the heating season, the company stores gas during non-peak periods and purchases supplemental gas, including propane, liquefied natural gas (LNG), and gas available under contracts with certain large cogeneration customers, as it deems necessary. The storage contracts provide the company with an aggregate of 10.3 million Mcf of natural gas storage capacity and provide the company with the right to receive a maximum daily quantity of 189,959 Mcf. The contracts with cogeneration customers provide 26,200 Mcf of daily gas supply to meet peak loads by allowing the company to take back capacity and supply that otherwise is dedicated to serve those customers.

The company has a LNG storage and vaporization facility in New Jersey for handling peak gas demand. It has a daily delivery capacity of 29,800 Mcf and storage capacity of 131,000 Mcf. The company's maximum daily sendout in fiscal 2002 was approximately 333,671 dekatherms (dth) in New Jersey and 85,697 dth in the other service territories combined. The company maintains sufficient gas supply and delivery capacity for a maximum daily sendout capacity for New Jersey of approximately 402,700 Mcf and approximately 115,500 Mcf for the other service territories combined.

Certain of the company's long-term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $62.6 million annually. The company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. As a result of the unbundling of natural gas services in New Jersey, Maryland and Pennsylvania, these contracts may result in the realization of stranded costs by the company. Management believes the outcome of these actions will not have a material adverse effect on the company's results. The company also is committed to purchase, at market-related prices, minimum quantities of gas that, in the aggregate, are approximately 2.6 billion cubic feet (Bcf) per year or to pay certain costs in the event the minimum quantities are not taken. The company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

The company distributes gas through approximately 6,200 miles of steel, cast iron and plastic mains. The company has physical interconnections with five interstate pipelines in New Jersey and one interstate pipeline in Florida. During fiscal 2002, the company also had physical interconnections in North Carolina and Pennsylvania with interstate pipelines, which also connected to New Jersey. Common interstate pipelines along the company's operating system provide the company with greater flexibility in managing pipeline capacity and supply, and thereby optimizing system utilization.

Regulation

The company is subject to regulation with respect to, among other matters, rates, service, accounting and the issuance of securities. The company is subject to regulation as an operating utility by the public utility commissions of the states in which it operates. The company is also subject to regulation by the United States Department of Transportation under the Natural Gas Pipeline Safety Act of 1968, with respect to the design, installation, testing, construction and maintenance of pipeline facilities. Natural gas purchases, transportation service and storage service provided to the company by interstate pipeline companies are subject to regulation by the FERC (see "Gas Supply and Operations"). In addition, the company is subject to federal and state legislation with respect to water, air quality, solid waste disposal and employee health and safety matters, and to environmental regulations issued by the United States Environmental Protection Agency, the New Jersey Department of Environmental Protection and other federal and state agencies.

The company's rates and tariffs during fiscal 2002 for New Jersey reflect a rate case that was settled with the NJBPU in October 1991, under which the company obtained a weather normalization clause – see "Elizabethtown Gas." The 1991 rate case provided for an allowed return on equity of 12.4 percent and an overall rate of return of 11.3 percent.

On November 22, 2002, the company settled its April 2002 rate case with the NJBPU. Under the terms of the settlement, the company immediately received an annual base rate increase of approximately $14.2 million. The new rate level provides for an allowed return on equity of 10.0 percent and an overall rate of return of 7.95 percent.

On January 16, 2001, City Gas received approval from the FPSC to increase its annual base rates by $5.13 million. The new rate level provides for an allowed return on equity of 11.5 percent and an overall rate of return of 7.88 percent.

The current rates and tariffs for Maryland were authorized in June 1992. The rates and tariffs for the North Carolina, Pennsylvania and New York operations during fiscal 2002 were authorized between October 1988 and September 1995. The tariff for North Carolina Gas reflects a weather normalization clause for its temperature sensitive residential and commercial customers.

The company's tariffs for each state in which it operates contain adjustment clauses that enable the company to recover purchased gas costs. The adjustment clauses provide for periodic reconciliations of actual recoverable gas costs with the estimated amounts that have been billed. Under– or over–recoveries at the reconciliation date are recovered from or refunded to customers in subsequent periods.

Franchises

The company holds non–exclusive municipal franchises and other consents which enable it to provide natural gas in the territories it serves. The company intends to seek to renew these franchises and consents as they expire.

Seasonal Aspects

Sales of gas to some classes of customers are affected by variations in demand due to changes in weather conditions, including normal seasonal variations throughout the year. The demand for gas for heating purposes is closely related to the severity of the winter heating season. Seasonal variations affect short–term cash requirements.

The effects of weather that is above or below normal is partially offset in New Jersey and North Carolina through weather normalization clauses contained in the tariffs in those jurisdictions. The weather normalization clauses are designed to help stabilize the company's results by increasing amounts charged to customers when weather has been warmer than normal and decreasing amounts charged when weather has been colder than normal.

Competition

The company competes with distributors of other fuels and forms of energy, including electricity, fuel oil and propane, in all portions of the territories in which it has distribution mains. In addition, in 1992, the FERC issued Order No. 636 (see Gas Supply and Operations). Subsequently, initiatives were sponsored in various states, the purposes of which were to "unbundle" or separate into distinct transactions, the purchase of the gas commodity from the purchase of transportation services for the gas. To that end, several of the company's utility operations have unbundled residential, commercial and industrial gas purchase and transportation rates.

The unbundled sale of gas to customers is subject to competition from unregulated marketers and brokers, which generally do not bear the obligations or costs related to operating a regulated utility. Tariffs for transportation service have generally been designed to

provide the same margins as bundled sales tariffs. Therefore, except for the regulatory risk of full recovery of gas costs, the company is financially indifferent as to whether it transports gas, or sells gas and transportation together. The company also faces the risk of loss of transportation service for large industrial customers which may have the ability to build connections to interstate gas pipelines and bypass the company's distribution system. Gas distributors can also expect increased competition from electricity as deregulation in that industry decreases prices and increases supply sources. Alternatively, opportunities may increase for gas service to fuel generators for large industrial customers, replacing electric utility service.

Environment

Reference is made to Item 7– Management's Discussion and Analysis–Capital Expenditures and Commitments and Note 21–Commitments and Contingencies of the Notes to the Consolidated Financial Statements for information regarding environmental matters affecting the company.

Wholesale Energy Marketing and Trading Segment

Products and Services

The Wholesale Energy Marketing and Trading segment reflects the operations of the company's Energy Brokers and Virginia Gas subsidiaries, as well as off–system sales by the utility operations. Together, this segment offers wholesale energy sales, energy portfolio management, risk management and utility asset management. Total operating revenues were $107.1 million in fiscal 2002, $132.1 million in fiscal 2001 and $93.1 million in fiscal 2000. In fiscal 2002, this segment represented 19 percent of the total operating revenues of NUI.

Energy Brokers was formed in 1996 to provide wholesale energy trading, brokering, and risk management services. In addition to providing these services to third parties, Energy Brokers is also responsible for the supply acquisition and asset management activity for NUI's Distribution Services segment. Energy Brokers trades physical natural gas in four geographic regions: the Northeast, Southeast, Gulf Coast, and Mid–Continent. In addition, Energy Brokers trades natural gas futures, options and swaps on the New York Mercantile Exchange and the over–the–counter market. The risk associated with trading activities is closely monitored on a daily basis and controlled in accordance with the company's Risk Management Policy. As in any commodity brokerage activity, however, there are risks pertaining to market changes and credit exposure that can be managed but not eliminated. For this reason, the earnings from Energy Brokers are likely to be more volatile than the company's utility distribution business. Energy Brokers' operating margins were $19.5 million in fiscal 2002, $19.3 million in fiscal 2001, and $12.8 million in fiscal 2000. For a further discussion of the risks and activities of NUI Energy Brokers see Item 7– Management's Discussion and Analysis of Financial Condition and Results of Operations– Market Risk Exposure.

Virginia Gas is a natural gas storage, pipeline, and distribution company with principal operations in Southwestern Virginia. Virginia Gas operates two storage facilities, one a high–deliverability salt cavern facility in Saltville, Virginia and the other a depleted reservoir facility named Early Grove. Combined, the facilities have approximately 3.0 Bcf of working gas capacity. Virginia Gas also owns and operates a 72–mile intrastate pipeline. Virginia Gas currently serves as the construction and operations manager for NUI's joint venture with Duke Energy to develop an additional 6.1 Bcf of storage at the Saltville facility (see Item 7–Management's Discussion and Analysis of Financial Condition and Results of Operations– Joint Venture with Duke Energy). This new storage will serve, through new interstate interconnects, the Mid–Atlantic region, an area of high demand growth due to population increases and power generation. All of these businesses are regulated by the Virginia State Corporation Commission. Virginia Gas, which was acquired by NUI on March 28, 2001 (see Note 3 of the Notes to the Consolidated Financial Statements), had operating margins of $8.3 million in fiscal 2002 and $2.6 million in fiscal 2001.

Another business line within Wholesale Energy Marketing and Trading is off–system sales, or the use of utility–owned gas assets to make sales to customers outside of NUI's service areas. Such assets include pipeline capacity and gas storage facilities. These assets are managed separately from non–utility assets, and their use is monitored and regulated by state regulatory commissions. Pursuant to regulatory agreements in some states in which the company operates, the company is able to retain a portion of the margins from these sales in varying percentages depending on the state in which the assets are owned. Off–system sales margins totaled $1.6 million in fiscal 2002, $0.9 million in fiscal 2001 and $1.5 million in fiscal 2000.

Retail and Business Services Segment

Products and Services

The Retail and Business Services segment is comprised of the company's NUI Energy, Inc. (NUI Energy), Utility Business Service, Inc. (UBS), and NUI Telecom, Inc. (NUI Telecom) subsidiaries, and its appliance business operations. Together this segment provides retail energy sales, customer information services and telecommunications services primarily to commercial and small industrial customers, as well as appliance repair, maintenance, installation and leasing services to residential, commercial and industrial customers. During July 2002, the company ceased the operations of its TIC Enterprises (TIC) telephone equipment and United States Postal Service product lines and has classified the operating results of these two product lines as discontinued operations in the Consolidated Statement of Income (see Note 10 of the Notes to the Consolidated Financial Statements). TIC's network services and wireless product lines are now under the management of NUI Telecom. Accordingly, the operating results of these two product lines have been reclassified under NUI Telecom for all periods presented. Operating revenues for this segment were $58.1 million in fiscal 2002, $38.2 million in fiscal 2001 and $24.1 million in fiscal 2000. In fiscal 2002, this segment represented 11 percent of the total operating revenues of NUI.

NUI Energy is a full–service energy marketing company that serves industrial and commercial clients. It has approximately 3,800 contracts with a diverse customer base that includes *Fortune 500* and other companies, manufacturers, energy resellers, hospitals, pharmaceutical and beverage companies. Through various affiliates and established alliances, NUI Energy offers energy commodity pricing options at competitive rates, secures delivery, and provides account balancing and reconciliation. Energy Brokers, the company's energy trading and portfolio management affiliate, handles supply acquisition for NUI Energy. Operating margins were $2.5 million in fiscal 2002, as compared with $5.8 million in fiscal 2001 and $2.8 million in fiscal 2000.

NUI Telecom is a non–facilities–based, full service telephone company that provides its customers with a single service solution for all their telecommunications requirements. Serving approximately 11,000 business and commercial customers, NUI Telecom's products and services include local, long distance, cellular, internet, and data communications. NUI Telecom's operating revenues, along with those of the products lines managed for TIC, were $36.9 million in fiscal 2002, $14.6 million in fiscal 2001, and $5.2 million in fiscal 2000. NUI Telecom generated margins of $12.2 million in fiscal 2002, $5.1 million in fiscal 2001, and $0.8 million in fiscal 2000.

UBS provides customer information systems and services and non–financial asset management systems and services to investor–owned and municipal utilities, as well as third–party providers in the gas, water and wastewater markets. Wins CIS®, a premiere customer information system developed and maintained by UBS, is presently serving approximately 60 clients with state–of–the–art capabilities in support of more than one million customers. United Water, the largest CIS client for UBS, accounts for approximately thirty–five percent of UBS revenue. In addition to generating over eight million bills in fiscal 2002, UBS continues to assist clients in related areas such as automatic meter reading, payment processing, and account recovery. UBS is now rolling out its web–enabled version of Wins CIS®, and plans to address the clients' customers' need to access their accounts via the Web in the near–term. Asset management services are currently provided to 8 clients and include geospatial information system (GIS) mapping, pipe network modeling, and work management. UBS's operating revenueswere $4.5 million in fiscal 2002, $4.6 million in fiscal 2001, and $3.9 million in fiscal 2000. UBS had margins of $2.9 million in fiscal 2002, $3.3 million in fiscal 2001, and $2.5 million in fiscal 2000.

The company has appliance service businesses in New Jersey and Florida that complement NUI's natural gas utility service in those states. During fiscal 1999, the company completed the separation of its appliance servicing and leasing business from its Distribution Services segment. These businesses sell and install heating units such as furnaces and gas boilers, air conditioners and water heaters, as well as repair and install gas–fired appliances such as ranges, grills, pool heaters and gas lamps. The New Jersey division offers service contracts that cover the cost of repairs for most of these types of appliances. In addition, the Florida appliance business also provides leasing and financing for gas appliances. The appliance group generated operating revenues of $14.4 million in fiscal 2002, $13.3 million in fiscal 2001, and $12.3 million in fiscal 2000. The appliance group had operating margins of $5.2 million in fiscal 2002, $4.0 million in fiscal 2001, and $3.6 million in fiscal 2000

Other NUI Operations

NUI Environmental Group, Inc. (NUI Environmental) was formed in fiscal 1996 to develop a solution to the rapidly decreasing accessibility of the New York/New Jersey Harbor to international commercial shipping traffic. On December 23, 1998, NUI Environmental was selected from a group of sixteen firms that responded to a request for proposal by the State of New Jersey to participate in a Sediment Decontamination Demonstration Project designed to identify new technologies for decontamination of the dredged material from the Harbor. During fiscal 2001, NUI Environmental completed its work on a $485,000 contract from the State of New Jersey for a Pilot Study to demonstrate the effectiveness of an innovative process for the treatment of dredged material from the Harbor. The Sediment Decontamination Program involves two phases: the Pilot Study and a full–scale Demonstration Project. NUI Environmental has proven the effectiveness of the NUI Dredged Material Process by successfully completing the Pilot Study phase. NUI Environmental received a draft contract from the State of New Jersey for the Demonstration phase in December 2002. The draft contract has a funding level of $2.0 million; it is currently under internal legal review. The purpose of the Demonstration phase is to prove the economics of the NUI Dredged Material Process (patent pending).

During September 2002, the company began seeking a buyer for NUI Environmental. While the company believes that it has demonstrated the effectiveness of the technology, rather than commit the capital resources necessary to fully deploy it in the form of building a decontamination facility using its patented processes, the company believes it is in its best interests to sell NUI Environmental at this time. Accordingly, the operating results of NUI Environmental have been included in discontinued operations for all periods presented (see Note 10 of the Notes to the Consolidated Financial Statements).

Persons Employed

As of September 30, 2002, the company employed a total of 1,144 persons, of which 270employees in New Jersey were represented by the Utility Workers Union of America (Local 424) and 52 employees were represented by the Communications Workers of America (Local 1023). In addition, 82 employees in Florida were represented by the Utility Workers of America (Locals 769 and 385). The Utility Workers Union of America collective bargaining agreement with the New Jersey union became effective November 21, 2001, and expires onNovember 20, 2005. The collective bargaining agreement in Florida was negotiated on March 31, 2001, and expires on March 31, 2004. The Communications Workers of America contract became effective November 1, 2000 and expires on March 31, 2003.

Persons employed by segment are as follows: Distribution Services segment–660; Wholesale Energy Marketing and Trading–78; and Retail and Business Services–250 persons. In addition, the corporate office of NUI employed a total of 156 persons, which employees primarily work in shared services for the entire corporation.

Available Information

The company files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission (the Commission). Any document the company files with the Commission may be read or copied at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at 1–800–SEC–0330 for further information on the public reference room. The company's Commission filings are also available at the Commission's Web site at http: // www.sec.gov or the company's Web site at
http: // www.nui.com. The information on NUI's Web site is not incorporated by reference into and is not made a part of this report.

Item 2. Properties

The company owns approximately 6,200 miles of installed steel, cast iron and plastic gas mains, together with gate stations, meters and other gas equipment. In addition, the company owns peak–shaving plants, including a liquefied natural gas storage facility in Elizabeth, New Jersey.

The company also owns real property in Union, Middlesex, Mercer, Morris, Warren, Sussex and Hunterdon counties in New Jersey, and in Dade, Broward, Brevard, Indian River and St. Lucie counties in Florida, portions of which are under lease to others. The company's properties include office buildings in Hialeah and Rockledge, Florida that serve as the principal operating offices for the Florida operations. The company also owns various service centers in New Jersey, Florida, and Maryland from which the company dispatches service crews and conducts construction and maintenance activities.

The company leases office space in Bedminster, New Jersey that serves as its corporate headquarters, and leases certain other facilities in New Jersey, Florida and Virginia that are operated as customer business offices or operating offices. The company also leases approximately 200,000 square feet in an office building in Union, New Jersey.

Virginia Gas owns the approximately 600 acres that comprise the Saltville facility. The Early Grove Field is situated on land not owned by the company.

Subject to minor exceptions and encumbrances, all other property materially important to the company and all principal plants are owned in fee simple, except that most of the mains and pipes are installed in public streets under franchise or statutory rights or are constructed on rights of way acquired from the apparent owner of the fee.

Item 3. Legal Proceedings

On October 28, 2002, a lawsuit captioned Jack Klebanow, on behalf of himself and all others similarly situated Vs. NUI Corporation and John Kean, Jr. was filed in the United States District Court for the District of New Jersey. On October 31, 2002, a lawsuit captioned Gisela Friedman, on behalf of herself and all others similarly situated Vs. NUI Corporation and John Kean, Jr. was filed in the United States District Court for the District of New Jersey. On November 6, 2002, a lawsuit captioned Thomas Davis, on behalf of himself and all others similarly situated Vs. NUI Corporation and John Kean, Jr. was filed in the United States District Court for the District of New Jersey. These three lawsuits are substantially similar. The plaintiffs are shareholders who assert claims on behalf of a putative class of purchasers of NUI's common stock between November 8, 2001 and October 17, 2002, except for the Friedman complaint which asserts a class period of July 26, 2001 to October 17, 2002. The plaintiffs allege that the company and its president and chief executive officer violated federal securities laws by issuing false statements and failing to disclose information regarding the company's financial condition and current and future financial prospects in its earnings statements, press releases, and in statements to analysts and others. Specifically, the plaintiffs allege that the company failed to disclose that it was experiencing problems with regard to increased costs in its telecommunications business; increased costs of insuring its medical benefits; a rise in bad debt from its customers; and a decline in the value of its pension plan assets. The plaintiffs allege that these non–disclosed costs put a strain on the company's operating margins, and on October 18, 2002, caused the company to announce that it would sustain greatly reduced earnings for fiscal years 2002 and 2003. Based upon these allegations, the plaintiffs allege claims under Section 10(b), including Rule 10b–5 promulgated thereunder, and Section 20(a) of the Securities Exchange Act of 1934, and seek unspecified monetary damages, pre– and post–judgment interest, attorneys' fees and experts' fees, costs, and any other available relief. In addition, on December 23, 2002, a law firm made a public announcement with respect to a lawsuit purportedly filed in the Southern District of New York on behalf of a putative class of purchasers of NUI's common stock between November 8, 2001 and October 17, 2002 against NUI Corporation and John Kean, Jr., alleging violations under Section 10(b), including Rule 10b–5 promulgated thereunder, and Section 20(a) of the Securities Exchange Act of 1934. Specifically, the announcement alleges that the company knowingly or recklessly failed to properly record fixed cost expenses, accrue necessary pension expenses and reserve adequate amounts for its self–insured medical benefits in its quarterly financial statements. At this time, the company has not been served with the purported complaint. Although the company intends to vigorously defend these lawsuits, it is not possible at this time to determine a likely outcome.

The company is also involved in various other claims and litigation incidental to its business. In the opinion of management, none of these other claims and litigation will have a material adverse effect on the company's results of operations or its financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was presented for submission to a vote of security holders through the solicitation of proxies or otherwise during the last quarter of fiscal 2002.

The company's 2003 Annual Meeting of Shareholders will be held on Tuesday, March 11, 2003. The record date for the 2003 annual meeting will be Friday, January 24, 2003.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

NUI common stock is listed on the New York Stock Exchange and is traded under the symbol "NUI". The quarterly cash dividends paid and the reported price range per share of NUI common stock for the two years ended September 30, 2002, were as follows:

	Quarterly Cash Dividend	Price Range High	Low
Fiscal 2002:			
First Quarter	$0.245	$24.40	$20.18
Second Quarter	0.245	25.00	21.35
Third Quarter	0.245	27.50	24.24
Fourth Quarter	0.245	27.45	15.87
Fiscal 2001:			
First Quarter	$0.245	$33.94	$27.88
Second Quarter	0.245	32.31	25.31
Third Quarter	0.245	27.03	20.10
Fourth Quarter	0.245	23.95	20.08

There were 5,177 shareholders of record of NUI common stock at November 30, 2002.

It is the company's intent to continue to pay quarterly dividends in the foreseeable future. NUI's dividend policy is reviewed on an ongoing basis and is dependent upon the company's expectation of future earnings, cash flow, financial condition, capital requirements and other factors.

The company's long–term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the company was permitted to pay $40.9 million of cash dividends at September 30, 2002.

Common Stock Issued in Conjunction with Acquisitions. The company has issued shares in conjunction with several acquisitions within the past three years, which have not been registered under the Securities Act of 1933. A description of these transactions follows.

(1) **International Telephone Group, Inc. (ITG).** On November 12, 1999, the company closed on its acquisition of ITG (ITG subsequently changed its name to NUI Telecom). The acquisition was treated as a merger whereby ITG merged with and into a subsidiary of the company. The purchase price totaled $3.8 million and included the issuance of 113,200 shares of NUI common stock, with the remainder paid in cash. Pursuant to the terms of the Agreement and Plan of Merger, the previous holders of ITG stock were issued an additional 47,136 shares on December 17, 2001 for meeting certain earnings targets. The shares were issued as a private placement pursuant to an exemption from the registration requirements of the Securities Act of 1933 under Section 4(2) and/or Rule 506 of Regulation D of the Securities Act of 1933.

(2) **Virginia Gas Distribution Company (VGDC) and Virginia Gas Storage Company (VGSC).** Pursuant to the Stock Purchase Agreement between the company and Mr. H.A. Street and Mrs. Edith Street (the Streets), on October 5, 2001, the company issued to each of the Streets 72,324 (144,648 total) unregistered shares of NUI common stock as partial consideration for each of the Streets' respective 25 percent ownership of VGDC and VGSC. The shares were issued under a private placement pursuant to an exemption from the registration requirements of the Securities Act of 1933 under Section 4(2) and/or Rule 506 of Regulation D of the Securities Act of 1933.

(3) **Norcom, Inc. (Norcom).** Pursuant to the Asset Purchase Agreement and Plan of Reorganization between the company and Norcom and its shareholders named therein, on August 28, 2002, the company issued to owners of Norcom 216,039 unregistered shares of NUI common stock to acquire certain assets of Norcom. The company has agreed to register these shares and anticipates filing a Registration Statement on Form S–3 on or about December 30, 2002.

Item 6. Selected Financial Data

Selected Consolidated Financial Data

(in thousands, except per share amounts)

	Fiscal Years Ended September 30,				
	2002	2001*	2000*	1999	1998
Operating Revenues	$ 556,468	$ 659,866	$498,744	$435,333	$441,759
Income from Continuing Operations	$ 16,159	$ 27,356	$ 20,643	$ 23,322	$ 12,244
Net Income (Loss)	$ (15,888)	$ 16,313	$ 20,558	$ 24,560	$ 12,314
Income from Continuing Operations Per Share	$ 1.08	$ 2.05	$ 1.60	$ 1.83	$ 0.98
Net Income (Loss) Per Share	$ (1.06)	$ 1.22	$ 1.59	$ 1.93	$ 0.98
Dividends Paid Per Share	$ 0.98	$ 0.98	$ 0.98	$ 0.98	$ 0.98
Total Assets	$1,041,292	$1,146,391	$911,268	$844,226	$776,847
Capital Lease Obligations	$ 10,743	$ 3,188	$ 4,191	$ 2,599	$ 8,566
Long–Term Debt	$ 309,017	$ 308,989	$268,947	$268,911	$229,098
Common Shareholders' Equity	$ 288,252	$ 274,727	$250,896	$237,318	$222,992
Common Shares Outstanding	15,990	13,755	12,929	12,750	12,680

Notes to the Selected Consolidated Financial Data:

* Consolidated Financial Statement amounts for fiscal years 2000 and 2001 have been restated (see Note 2 of the Notes to the Consolidated Financial Statements).

** The Consolidated Financial Statements for fiscal years 1999 and 1998 were not affected by the restatements.

In fiscal 2002, the company adopted Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment and Disposal of Long–Lived Assets." Accordingly, the results of operations of those NUI entities that have been or will be disposed of have been reported as discontinued operations for all years presented. See Note 10 of the Notes to the Consolidated Financial Statements.

Net loss for fiscal 2002 includes a cumulative effect of a change in accounting charge due to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets," which decreased net income by $17.6 million (after tax), or $1.18 per share.

During fiscal 2002, the company adopted the net basis reporting provision of EITF 02–03, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (see Note 1 of the Notes to the Consolidated Financial Statements).

Net income for fiscal 2000 includes a gain on the sale of assets, which increased net income by $1.7 million (after tax), or $0.13 per share.

Net income for fiscal 1999 includes a pension settlement gain and other non–recurring items. The effect of these items increased net income by $2.3 million (after tax), or $0.18 per share.

Summary Consolidated Operating Data

	Fiscal Years Ended September 30,				
	2002	2001*	2000*	1999	1998
Operating Revenues (Dollars in thousands)					
Firm Sales:					
Residential	$ 231,723	$272,445	$208,440	$197,799	$197,955
Commercial	82,823	115,683	85,736	82,285	90,739
Industrial	9,097	12,325	8,950	8,694	19,684
Interruptible Sales	41,339	80,804	63,370	49,110	89,342
Unregulated Sales	101,134	134,982	95,111	65,134	21,030
Transportation Services	47,195	40,737	41,594	37,634	33,338
Telecommunications, Customer Service and Other			-	-	-
	74,200	46,600	24,196	18,257	17,811

Total Revenues	587,511	703,576	527,397	458,913	469,899
Revenues by Discontinued Operations	(31,043)	(43,711)	(28,653)	(23,580)	(28,140)
Operating Revenues from Continuing Operations	$556,468	$659,865	$498,744	$435,333	$441,759
Gas Sold or Transported (MMcf)					
Firm Sales:					
Residential	21,183	25,148	23,167	22,064	21,771
Commercial	8,776	11,616	10,839	11,058	12,076
Industrial	1,206	1,368	1,430	1,584	4,463
Interruptible Sales	10,975	13,380	15,929	16,420	13,183
Unregulated Sales	103,718	94,972	145,642	168,748	163,418
Transportation Services	39,557	35,205	35,235	32,601	30,831
	185,415	181,689	232,242	252,475	245,742
Average Utility Customers Served					
Firm Sales:					
Residential	356,933	353,397	348,626	344,448	338,958
Commercial	24,058	23,848	23,474	23,320	23,407
Industrial	264	263	253	254	275
Interruptible Sales	40	47	45	56	111
Transportation Services	4,064	3,854	3,787	3,535	2,948
	385,359	381,409	376,185	371,613	365,699
Degree Days in New Jersey	3,973	5,036	4,579	4,381	4,356
Employees (year-end)	1,144	1,599	1,078	1,049	1,081
Ratio of Earnings to Fixed Charges	2.03	2.49	2.38	2.66	1.86

* As Restated (see Note 2 of the Notes to the Consolidated Financial Statements)

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussions of the company's historical results of operations and financial condition should be read in conjunction with the company's consolidated financial statements and the related notes.

Overview

The following discussion and analysis refers to NUI Corporation and its subsidiaries (collectively referred to as "NUI", the "company", "we" or "our"). The company is a diversified energy company that is primarily engaged in the sale and distribution of natural gas, energy commodity trading and portfolio management, retail energy sales and telecommunications. Its local distribution operations provided natural gas and related services during fiscal 2002 to more than 385,000 customers in seven states along the eastern seaboard of the United States and comprised Elizabethtown Gas Company (New Jersey), City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania), Waverly Gas (New York) and Virginia Gas. Virginia Gas is also engaged in other activities, such as pipeline operation and natural gas storage. The company's non-regulated subsidiaries include NUI Energy, Inc. (NUI Energy), an energy retailer; NUI Energy Brokers, Inc. (NUI Energy Brokers), a wholesale energy trading and portfolio management subsidiary; NUI Environmental Group, Inc. (NUI Environmental), an environmental project development subsidiary; Utility Business Services, Inc. (UBS), a geospatial and customer information systems and services subsidiary; NUI Telecom, Inc. (NUI Telecom), a full-service telecommunications services subsidiary; and TIC Enterprises, LLC (TIC), a sales outsourcing subsidiary.

As of September 30, 2002, the company has classified North Carolina Gas, Valley Cities Gas, Waverly Gas, NUI Environmental, and certain product lines of TIC as discontinued operations (see Note 10 of the Notes to the Consolidated Financial Statements).

Results of Operations

Consolidated Review of Results of Operations

The following discussion is intended to provide an overview of consolidated results for fiscal years 2002, 2001 and 2000. Following this discussion is a more detailed overview of the results for NUI's three business segments.

Net Income (Loss). NUI incurred a net loss for fiscal 2002 of $15.8 million, or $1.06 per share, as compared with net income of $16.3 million, or $1.22 per share in fiscal 2001, and net income of $20.6 million, or $1.59 per share, in fiscal 2000. The results of operations for fiscal 2001 and 2000, as well as the first three quarters of fiscal 2002 have been restated (see Note 2 of the Notes to the Consolidated Financial Statements). The decrease in income during the current fiscal year was primarily due to the company's adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets," which resulted in a one-time, non-cash transitional impairment charge of $17.6 million (after-tax), or $1.18 per share (see Note 8 to the Notes to the Consolidated Financial Statements), and losses incurred by certain product lines within the company's TIC Enterprises subsidiary, which operations are classified as discontinued operations. The decrease in net income during fiscal 2001 as compared to fiscal 2000 was primarily due to losses incurred by TIC Enterprises as a result of the severe downturn in the telecommunications equipment market. As further discussed in Note 4 of the Notes to the Consolidated Financial Statements, NUI acquired the remaining 51 percent of TIC on May 15,

2001. Prior to that date, NUI owned 49 percent of TIC and accounted for this investment under the equity method of accounting.

Income from Continuing Operations. Income from continuing operations was $16.2 million, or $1.08 per share, compared with $27.4 million, or $2.05 per share, in fiscal 2001, and $20.6 million, or $1.60 per share, in fiscal 2000. Fiscal 2002's results were adversely affected by the significantly warmer weather in New Jersey, which was 21 percent warmer than fiscal 2001 and 13 percent warmer than fiscal 2000. The current year results were also impacted by the weakened economy, and higher operations and maintenance expenses. Operating expenses in fiscal 2002 increased as a result of a $3.9 million lower pension credit (see below), and increased costs by NUI Telecom associated with their rapid growth in customers. The company also recorded a non–recurring restructuring cost of $1.2 million in fiscal 2002, related to severance costs as a result of workforce reductions (see Note 11 of the Notes to the Consolidated Financial Statements).

As further discussed in Note 19 of the Notes to the Consolidated Financial Statements, the company's pension credit included in operations and maintenance expenses has declined significantly from $5.8 million in fiscal 2000 to only $0.5 million in fiscal 2002. The decrease in the pension credit over the past two fiscal years was primarily due to a significant decline in the market value of the pension fund assets from $131.3 million at September 30, 2000 to $92.4 million at September 30, 2002, as well as the impact of lower discount rates and actuarial losses. The company expects that in fiscal 2003, we will have pension expense (as opposed to pension credit) of approximately $4 million further reflecting the matters discussed above, as well as a lower return on asset assumption. At this time, NUI does not expect that it will be required to make a cash funding contribution in fiscal 2003.

The increase in income from continuing operations during fiscal 2001 as compared to fiscal 2000, was primarily due to increased revenues from the company's natural gas distribution business resulting from colder weather in New Jersey and a significant increase in operating margins from the company's Energy Brokers subsidiary (see below). The company recognized a $1.7 million, or $0.13 per share, after–tax gain on the sale of certain real estate assets during fiscal 2000.

Earnings per share for fiscal years 2002 and 2001 reflect the effects of dilution as a result of increased shares outstanding. During fiscal 2002, NUI completed a 1.725 million common stock offering and also issued shares related to certain acquisitions and benefit plans (see discussion below of results by business segment and Liquidity and Capital Resources). Shares outstanding increased during fiscal 2001 primarily due to shares issued to acquire Virginia Gas.

Interest Expense. Interest expense decreased by $0.9 million to $21.2 million, as compared to $22.1 million in fiscal 2001, primarily due to lower interest rates on short–term borrowings, and a full year's interest income on the company's under–collection of gas costs in New Jersey (see Regulatory Matters).

Interest expense increased by $3.4 million in fiscal 2001 as compared to fiscal 2000, as a result of higher average borrowings, mainly due to the lag in collections of purchased gas costs from customers in New Jersey.

Income Taxes. Changes in income tax expense in each of fiscal years 2002, 2001 and 2000 were due to the level of pre–tax income. Income taxes are also included within the net results of discontinued operations and the change in accounting. See Note 18 of the Notes to the Consolidated Financial Statements for a further discussion of the company's Federal and state income taxes.

Discontinued Operations. After–tax losses from discontinued operations during fiscal 2002 were $14.4 million, or $0.96 per share, compared to losses of $11.0 million, or $0.83 per share during fiscal 2001. The higher losses during fiscal 2002 were primarily due to approximately $2.6 million of higher after–tax losses by TIC's telephone equipment and United States Postal Service (USPS) lines of business during the year and approximately $0.3 million of additional costs incurred by NUI Environmental to develop its remediation processes.

After–tax losses from discontinued operations during fiscal 2000 were $0.1 million, or $0.01 per share. The additional losses during fiscal 2001 were primarily due to after–tax operating losses of $5.9 million by TIC's telephone equipment sales and USPS product lines following the May 15, 2001 acquisition (see Note 4 of the Notes to the Consolidated Financial Statements), and an additional $5.8 million of after–tax equity losses from the company's investment in TIC prior to the acquisition. These losses were partially offset by lower costs incurred by NUI Environmental to develop its remediation processes during fiscal 2001.

Business Segment Review of Results of Operations

The following is a discussion of the company's business segment results of operations and are presented on an EBIT basis. EBIT stands for "Earnings before Interest and Taxes" and represents one of the financial measures that NUI uses to internally manage its business. EBIT should not be construed as an alternative to net income or cash flow from operating activities as determined by Generally Accepted Accounting Principles. Included in operations and maintenance expenses for each of NUI's business segments are allocations of corporate costs related to shared service functions such as human resources, accounting and information technology, which are allocated based on the company's cost allocation policy. In addition, the company has corporate operations that incurred operations and maintenance expenses of $3.3 million, $3.1 million and $1.2 million in fiscal years 2002, 2001 and 2000, respectively, principally related to the company's investment in various business ventures, which have not yet earned revenues. These costs are not allocated to our business segment results.

Distribution Services Segment

The company's Distribution Services segment distributes natural gas in four states through the company's regulated natural gas utility operations. These operations are Elizabethtown Gas Company (New Jersey), City Gas Company of Florida, Elkton Gas (Maryland) and Virginia Gas Distribution. The company recently sold three of its natural gas utility operations: North Carolina Gas was sold in September 2002, and Valley Cities Gas and Waverly Gas were sold in November 2002 (see Note 10 of the Notes to the Consolidated Financial Statements). The results for these three operations are reflected in Discontinued Operations in the Consolidated Financial Statements for fiscal 2002, 2001 and 2000. The EBIT results for the remaining four utility operations are as follows:

(Dollars in thousands)	**Fiscal 2002**	**Fiscal 2001***	**Fiscal 2000***
Operating Revenues	$391,265	$489,551	$381,505
Purchased Gas and Fuel	221,731	312,676	211,333
Energy Taxes	10,719	12,907	11,571
Operating Margins	158,815	163,968	158,601
Operating Expenses:			
Operations & Maintenance Expenses	85,439	81,765	83,781
Depreciation & Amortization	25,465	22,811	22,411
Taxes Other than Income	6,023	6,203	5,553
Total Operating Expenses	116,927	110,779	111,745
Other Income & Expense	(84)	5	(101)
Earnings Before Interest & Taxes (EBIT)	$41,804	$53,194	$46,755

*– As Restated (see Note 2 of the Notes to the Consolidated Financial Statements)

Operating Revenues. Operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses utilized by the company's utility operations. Such clauses enable the company to pass through to its utility customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the company for purchased gas without affecting operating margins. These purchased gas adjustments are authorized by regulatory authorities in the states in which the company operates. Since the company's utility operations do not earn a profit on the sale of the gas commodity, the company's level of regulated operating revenues is not necessarily indicative of financial performance.

Distribution Services operating revenues decreased by $98.3 million, or 20 percent, to $391.3 million during fiscal 2002, as compared to $489.6 million in fiscal 2001. The decrease in revenues was primarily attributed to lower gas prices charged under purchased gas adjustment clauses during fiscal 2002 (see Regulatory Matters), lower natural gas usage as a result of weather in New Jersey that was 23 percent warmer than normal and 21 percent warmer than the 2001 period, and the impact of the sluggish economy on all customer classes, but especially the commercial and industrial classes in both New Jersey and Florida. These factors were partially offset by an increase in revenues due to customer growth.

Distribution Services operating revenues increased by $108.0 million, or 28 percent, to $489.6 million in fiscal 2001 as compared to $381.5 million in fiscal 2000, mainly as a result of a significant increase in gas prices during fiscal 2001 (see Liquidity and Capital Resources), weather that was 10 percent colder than the prior year and customer growth. These increases were partially offset by a decrease in sales to certain interruptible industrial customers who switched to alternative fuels during part of the year as a result of the extremely high gas prices.

Operating Margins. Operating margins decreased by $5.2 million, or 3 percent, to $158.8 million in fiscal 2002 as compared to $164.0 million in fiscal 2001, mainly as result of the impact of the warm weather experienced during fiscal 2002 and the weakened economy. The company has a weather normalization clause in its New Jersey tariff, which is designed to help stabilize the company's results by increasing amounts charged to customers when weather has been warmer than normal and by decreasing amounts charged when weather has been colder than normal. As a result of weather normalization clauses, operating margins were approximately $8.5 million and $0.6 million higher in the fiscal 2002 and 2001 periods, respectively, than they otherwise would have been without such clauses. Historically, the company's weather normalization clause in New Jersey was based on a 30–year weather average and did not fully protect the company from the adverse impacts of warm weather. As a result of a new base rate increase, which went into effect on November 22, 2002, the weather normalization clause was adjusted to a 20–year weather average to better reflect current weather trends and should provide more stability of operating results and improved cash flows for NUI's New Jersey utility (see Regulatory Matters) beginning in fiscal 2003. However, the company does not anticipate any significant improvement in the economic outlook for natural gas sales in this segment in fiscal 2003.

Operating margins increased by $5.4 million, or 3 percent, in fiscal 2001 as compared to fiscal 2000, primarily due to weather that was 10 percent colder than the 2000 period, and customer growth. Partially offsetting these increases was lower margins from certain interruptible industrial customers who switched to alternate fuels during part of the 2001 heating season as result of significantly higher gas prices.

Operating Expenses. Operation and maintenance expenses increased by $3.6 million, or 4 percent, to $85.4 million in fiscal 2002 as compared with $81.8 million in fiscal 2001. The expense increase was mostly due to a lower pension credit of $0.5 million in fiscal 2002 as compared with $4.3 million in fiscal 2001, higher bad debts as a result of the weakened economy, and expenses associated with the New Jersey rate case. These cost increases were partially offset by lower overtime and operations expenses as result of the extremely warm weather. Operation and maintenance expenses decreased approximately $2.0 million in fiscal 2001 as compared to fiscal 2000 primarily due to lower corporate overhead costs.

Depreciation and amortization expense increased to $25.5 million in fiscal 2002 as compared to $22.8 million in fiscal 2001, mainly as a result of additional plant–in–service and additional technology assets placed into service. Fiscal 2002 includes a full year's depreciation related to an 83–mile distribution line through South–Central Florida, which went into service in October 2001. Depreciation and amortization increased only $0.4 million in fiscal 2001 as compared to fiscal 2000, due to a change in financing for the company's technology equipment. In fiscal 2001, the company entered into an operating lease for new technology equipment as opposed to owning this equipment, as had been done in earlier years.

Wholesale Energy Marketing and Trading Segment

The Wholesale Energy Marketing and Trading segment contains the operations of the company's Energy Brokers, subsidiary, and the storage and pipeline operations of Virginia Gas, as well as off–system sales made by Energy Brokers on behalf of the utility operations. Virginia Gas was acquired by NUI on March 28, 2001 (see Note 3 of the Notes to the Consolidated Financial Statements).

(Dollars in thousands)	**Fiscal 2002**	**Fiscal 2001***	**Fiscal 2000***
Operating Revenues	$107,125	$132,096	$93,092
Purchased Gas and Fuel	77,760	109,213	78,726
Energy Taxes	—	11	—
Operating Margins	29,365	22,872	14,366
Operating Expenses:			
Operations & Maintenance Expenses	10,698	7,606	5,134
Depreciation & Amortization	2,319	692	68
Taxes Other than Income	706	422	160
Total Operating Expenses	13,723	8,720	5,362
Other Income & Expense	286	1,181	331
Earnings Before Interest & Taxes (EBIT)	$15,928	$15,332	$9,335

*– As Restated (see Note 2 of the Notes to the Consolidated Financial Statements)

Operating Revenues. As further discussed in Note 1 of the Notes to the Consolidated Financial Statements, operating revenues for Energy Brokers and NUI Energy (see below) have been restated for fiscal years 2000–2002 as a result of adopting a provision in the Emerging Issues Task Force (EITF) Opinion 02–03, "Issues Involved in Accounting for Contracts Under Issue 98–10," which requires that all energy companies that follow the accounting under EITF 98–10 reflect their operating revenues on a net basis. In previous periods, Energy Brokers included both the cost of purchased gas and the operating margin earned on all of its physical energy transactions (physical volumes of gas bought and sold to third parties) in operating revenues and classified the cost of that gas as a component of Purchased Gas and Fuel on the Consolidated Statement of Income. Historically, Energy Brokers has recorded only the operating margin component for all of its financial trades (futures, options, swaps) and has classified these amounts as a component of purchased gas costs on the Consolidated Income Statement. Adopting the netting provision of EITF 02–03 had no net effect on these transactions other than to reclassify them to operating revenues rather than purchased gas costs. As a result of net–basis reporting, NUI reduced operating revenues and purchased gas and fuel line items by $425.8 million, $578.7 million and $456.4 million, in fiscal 2002, 2001 and 2000, respectively, with no changes to total operating margins.

Wholesale Energy Marketing and Trading operating revenues decreased approximately $25.0 million, or 19 percent, to $107.1 million in fiscal 2002 as compared to $132.1 million in fiscal 2001. The decrease was primarily due to a significant decrease in revenues of $32.9 million from utility off–system sales, resulting from lower natural gas prices, despite an increase in volumes of gas sold of 8.7 MMcf, or 9 percent. Partially offsetting this decrease are increased operating revenues from Virginia Gas of approximately $5.5 million, which reflect a full year's operating results in fiscal 2002 as compared to six months results in fiscal 2001.

Operating revenues in fiscal 2001 increased approximately $39.0 million, or 42 percent, as compared to fiscal 2000, primarily as a result of higher revenues from utility off–system sales ($31.5 million) due to higher gas prices paid, and the acquisition of Virginia Gas ($2.8 million).

Operating Margins. Operating margins increased approximately $6.5 million, or 28 percent, to $29.4 million in fiscal 2002 as compared to $22.9 million in fiscal 2001. This increase was primarily attributed to additional margins of $5.7 million as result of a full year's inclusion of Virginia Gas and higher utility off–system sales margins of $0.7 million due to higher volumes sold. Margins from Energy Brokers were flat compared to fiscal 2001 at $19.4 million despite the unpredictable market conditions in the energy trading industry due largely to fewer creditworthy trading partners and lower natural gas price volatility. The company anticipates credit

issues in the industry will continue into fiscal 2003, which may decrease or limit the growth in margins for Energy Brokers. In addition, as further discussed in Note 1 of the Notes to the Consolidated Financial Statements, the company is required to adopt the full provisions of EITF 02–03 on January 1, 2003. The effect of this standard on the accounting for Energy Brokers' results has not yet been determined. However, certain energy contracts and gas inventories that are currently marked–to–market will no longer be accounted for on a mark–to–market basis beginning January 1, 2003, and the impact is expected to material to "Net Income" and "Derivative Assets and Liabilities."

Operating margins increased approximately $8.5 million, or 59 percent, in fiscal 2001 as compared with fiscal 2000, primarily due to an increase of $6.6 million from Energy Brokers, due to increased volatility in natural gas prices and the acquisition of Virginia Gas.

Operating Expenses. Operating and maintenance expenses, depreciation and amortization, and taxes other than income all increased in fiscal 2002 as compared to fiscal 2001 due to the inclusion of Virginia Gas for a full year.

The increase in these operating expenses in fiscal 2001 as compared to fiscal 2000 was due to the inclusion of Virginia Gas in the results of this segment from March 28, 2001, as well as higher commissions paid at Energy Brokers due to the significant increase in operating margins in fiscal 2001.

Other Income and Expense. Other income and expense in fiscal 2001 includes the equity income from Virginia Gas' 50 percent ownership interest in a distribution company and storage company. In October 2001, Virginia Gas completed the acquisition of the remaining interest in these entities, which results have now been consolidated.

Retail and Business Services Segment

The Retail and Business Services segment includes the operations of the company's NUI Telecom, UBS and NUI Energy subsidiaries, as well as the operations of the network services and wireless divisions of TIC and the appliance service business.

(Dollars in thousands)	**Fiscal 2002**	**Fiscal 2001***	**Fiscal 2000***
Operating Revenues	$58,078	$38,219	$24,147
Cost of Sales and Services	35,374	20,029	14,574
Operating Margins	22,704	18,190	9,573
Operating Expenses:			
Operations & Maintenance Expenses	22,417	12,178	6,727
Depreciation & Amortization	3,290	2,956	2,504
Taxes Other than Income	661	625	428
Total Operating Expenses	26,368	15,759	9,659
Other Income & Expense	1	(56)	4
Earnings Before Interest & Taxes (EBIT)	$(3,663)	$2,375	$(82)

*– As Restated (see Note 2 of the Notes to the Consolidated Financial Statements)

Operating Revenues. Retail and Business Services operating revenues increased by approximately $19.9 million, or 52 percent, to $58.1 million in fiscal 2002 from $38.2 million in fiscal 2001. This increase was due to increased revenues by NUI Telecom of approximately $22 million due to significant customer additions and additional product offerings. These customer additions were derived through both organic growth and through acquisitions (see Notes 5 and 6 of the Notes to the Consolidated Financial Statements). The appliance service business increased revenues by approximately $1.5 million due to improved pricing, new product offerings and additional installations. Partially offsetting these increases was a decrease of $3.4 million in revenues from NUI Energy due to warmer weather and a decline in, and subsequent stabilization of, natural gas prices during the current fiscal year as compared to the prior year, and lower revenues from UBS as a result of changes in its contract with a large customer. Such changes negatively impacted results in fiscal 2002, but will provide for favorable growth and improvement in results for UBS in fiscal 2003 and beyond. As noted above, NUI Energy's revenues have been reflected on a net basis in all three fiscal years due to the adoption of one of the provisions of EITF 02–03.

Operating revenues increased $14.1 million, or 58 percent, in fiscal 2001 as compared to fiscal 2000, primarily due to higher revenues from NUI Telecom and the inclusion of the network services and wireless divisions of TIC, which were consolidated upon the acquisition by the company of the remaining 51 percent interest in TIC on May 15, 2001.

Operating Margins. Retail and Business Services operating margins increased by approximately $4.5 million, or 25 percent, in fiscal 2002, to $22.7 million as compared with $18.2 million in fiscal 2001 due primarily to an increase in margins from NUI Telecom of $7.1 million. This increase reflects the continued growth in customers and product offerings for NUI Telecom since its acquisition by NUI in November 1999. Partially offsetting this increase was a decrease in operating margins of $3.4 million from NUI Energy, which resulted primarily from changes in the natural gas marketplace and warmer weather in the Northeast which caused NUI Energy to sell

back excess gas supply previously committed to for expected usage by its customers into the marketplace for a loss. During fiscal 2001, natural gas prices climbed to unprecedented highs early in the fiscal year. When prices began to decline to more normal levels in the summer of fiscal 2001, NUI Energy customers signed up for longer–term contracts and NUI Energy was able to recognize increased margins. During fiscal 2002, natural gas prices were relatively flat which resulted in customers waiting to renew their long–term contracts and resulted in lower margins during the year. NUI Energy has begun a number of initiatives to mitigate both price and volume risk associated with its business, and is in the midst of a re–engineering effort to streamline its back office functions. This is expected to decrease the volatility of their results, as well as improve their overall financial performance in fiscal 2003. As further discussed in Note 1 of the Notes to the Consolidated Financial Statements, the company is required to adopt the full provisions of EITF 02–03 on January 1, 2003. The effect of this standard on the accounting for NUI Energy's results has not yet been determined.

Operating margins increased by $8.6 million in fiscal 2001 as compared with fiscal 2000, mainly due to an increase of $4.4 million from NUI Telecom's growth and $3.1 million from NUI Energy as a result of the impact of natural gas pricing as discussed above.

Operating Expenses. Operations and maintenance expenses, depreciation and amortization, and taxes other than income for the Retail and Business Services segment increased in total by $10.6 million, or 67 percent, to $26.4 million in fiscal 2002 as compared with $15.8 million in fiscal 2001, and increased $6.1 million, or 64 percent, in fiscal 2001 as compared to fiscal 2000. The increase in operating expenses in both fiscal 2002 and fiscal 2001 was mainly due to significantly higher operating expenses at NUI Telecom. With the significant customer growth experienced by NUI Telecom over the past several years, and its recent acquisitions of new businesses, expenses associated with back office functions such as customer service, provisioning and finance were required to support these customer additions. During the second half of fiscal 2002 and into fiscal 2003, NUI Telecom has begun work on various information systems improvements and the integration of its new businesses to streamline these functions thereby improving its operating performance. In addition, operations and maintenance expenses increased as a result of higher bad debt expenses of $1.3 million due to the weaker economy in fiscal 2002.

Regulatory Matters

On November 22, 2002, Elizabethtown Gas Company received approval from the New Jersey Board of Public Utilities (NJBPU) to increase its base rates by an annual amount of $14.2 million, or approximately 5 percent. The increase is effective immediately and covers a portion of the costs of plant investments and higher operating expenses incurred since the company's last base rate increase twelve years ago. The new rates are based on a return on equity of 10.0 percent and an overall rate of return on rate base of 7.95 percent. The rate order also revised the normal weather pattern upon which base rates and Elizabethtown's Weather Normalization Clause are set from a 30–year to a 20–year weather average to better reflect current weather trends. In addition, the company was allowed to increase service charges to various rate classes of customers to better reflect the cost of providing service to these customers.

On November 1, 2000, the NJBPU issued an order approving an increase in the New Jersey purchased gas adjustment (PGA) clause by 17.3 percent. The rate increase was effective immediately and resulted in a revenue increase of approximately $47 million annually. In addition, the company was allowed to increase the PGA through a Flexible Pricing Mechanism (FPM), which allowed the company to make additional pricing adjustments on a monthly basis of approximately 2 percent each month between December 2000 and April 2001. On March 30, 2001, the NJBPU issued an order approving the company's request to extend the monthly 2 percent increases through July 2001. Each of the FPM increases resulted in additional revenues of up to $6 million on an annual basis. The increases in the PGA rate were granted to cover the higher costs of natural gas purchases, which had risen from about $2.50 per dekatherm in July 1999 to more than $10.00 per dekatherm in January 2001 (see Liquidity and Capital Resources).

In addition, the March 30, 2001 order allowed the company to begin recording interest on its under–recovered gas cost balance, and to establish a new Gas Cost Under–recovery Adjustment (GCUA) to recover the gas cost under–recovery balance as of October, 31, 2001, with associated interest at a fixed rate of 5.5 percent per annum over a three–year period from December 1, 2001 through November 30, 2004. In addition, pursuant to the order, the company was required to make a filing on November 15, 2001, to establish a new PGA rate designed to recover purchased gas costs for the period November 1, 2001, through September 30, 2002. In that filing, the company requested approval to decrease its PGA rate and implement its GCUA rate, with a net effect representing a decrease of 12.7 percent in residential customer bills. The NJBPU approved the company's request on an interim basis and these changes became effective on December 1, 2001.

On January 16, 2001, the company's City Gas Company of Florida division received approval from the Florida Public Service Commission to increase its annual base rates by $5.13 million. The increase represents a portion of the company's request to cover the cost of service enhancements and reliability improvements since City Gas' last base rate increase in 1996. The new rate level provides for an allowed return on equity of 11.5 percent and an overall allowed rate of return of 7.88 percent.

In response to the Electric Discount and Energy Competition Act which was signed into law in February 1999, on March 30, 2001, the NJBPU approved a stipulation which enabled all retail customers in New Jersey to choose a natural gas supplier, provided an

incentive for these customers to choose an alternate natural gas supplier and allowed the company to continue offering basic gas supply service through December 2002. On January 17, 2002, the NJBPU issued an order that continued the obligation of all New Jersey gas utilities to provide basic gas supply service until it has had an opportunity to fully investigate major policy issues relating to pricing structure and gas supply reliability. No timetable has been established for completion of such a review. As of September 30, 2002, no residential customers in the company's New Jersey service territory have switched to an alternative gas supplier.

Liquidity and Capital Resources

The company had cash provided by operating activities of $62.5 million in fiscal 2002, compared to net cash used by operating activities of $23.3 million in fiscal 2001, and cash provided by operating activities of $42.0 million in fiscal 2000. The increase in the amount of cash provided by operating activities during the fiscal year ended September 30, 2002, was primarily due to substantial decreases in fuel inventories, reduction of the amount of margin collateral provided to trading partners, and collections of under–recovered gas costs as a result of the company's ability to collect the large under–recovered gas balance that existed at September 30, 2001 over a period of three years. Included in the cash used by operations for fiscal 2001 was a significant increase in under–recovered gas costs due to the increase in the price of natural gas experienced during the fiscal year. As noted in Regulatory Matters, these under–recovered gas costs are now a component of regulatory assets and will be recovered with associated interest over a three–year period. The decrease in fiscal 2001, as compared with fiscal 2000, was primarily due to significantly higher gas prices paid during the year.

During fiscal 2002, the company sought to strengthen its balance sheet by reducing short–term indebtedness through the issuance of equity, sales of assets, and additional long–term financing at attractive rates. The company will continue to focus on reducing short–term indebtedness during fiscal 2003 through the collection of under–recovered gas costs discussed above, additional asset sales, and consideration of opportunistic longer–term debt or equity financing. Because the company's business is highly seasonal, short–term debt is used to meet seasonal working capital requirements. The company also borrows under its bank lines of credit to finance portions of its capital expenditures, pending refinancing through the issuance of equity or long–term indebtedness at a later date, depending upon prevailing market conditions. Due to the large increase in the cost of natural gas last year and the build up of under–recovered gas costs noted earlier, the company has needed to raise capital through the issuance of long–term debt and draw downs of short–term financing under its various lines of credit. On January 31, 2002, the company filed a shelf registration statement on Form S–3 with the Securities and Exchange Commission, which enables the company to issue various types and combinations of securities, including common stock, preferred stock and debt, from time to time, up to an aggregate of $150 million. The shelf registration will enable NUI to raise funds from the offering of any security covered by the shelf registration statement, as well as any combination thereof, subject to market conditions and the company's capital needs.

The company sold 1.725 million shares of common stock for net proceeds of approximately $37.0 million during March 2002 under the shelf registration statement. The proceeds from the sale were used to pay down short–term debt.

The company completed the sale of its North Carolina Gas subsidiary on September 30, 2002, for approximately $26 million (see Note 10 of the Notes to the Consolidated Financial Statements) and completed the sale of its Valley Cities Gas and Waverly Gas subsidiaries on November 7, 2002, for approximately $15 million (see Capital Expenditures and Commitments– Sale of Valley Cities Gas and Waverly Gas). The company also completed the sale of its Virginia Gas Propane Company subsidiary on October 11, 2001, for approximately $4 million (see Capital Expenditures and Commitments– Sale of Virginia Gas Propane Company), and completed the sale of its Virginia Gas Exploration Company and Virginia Gas Marketing Company subsidiaries on March 1, 2002, for approximately $1 million (see Capital Expenditures and Commitments– Sale of Virginia Gas Exploration Company and Virginia Gas Marketing Company). The proceeds of these transactions were used to further reduce short–term debt.

During August 2002, the company completed a sale/leaseback transaction related to gas meters at its City Gas of Florida subsidiary, which enabled the company to raise approximately $9 million. This transaction, which was recorded as a capital lease, bears interest at 4.98 percent and will be repaid over 10 years. The proceeds were used toward the repayment of the $20 million of medium–term notes bearing interest at 7.125 percent that matured on August 1, 2002.

The company does not have any off–balance sheet financing; however, the company is a 50 percent member of a joint venture that is developing storage assets and is required to provide funding toward the development of these assets for their intended purpose (see Capital Expenditures and Commitments– Joint Venture with Duke Energy for further discussion).

As a result of the factors discussed above, during fiscal 2002, the company reduced its total short–term debt by approximately $75.5 million, or 36 percent, from approximately $209.5 million at September 30, 2001, to approximately $134.0 million at September 30, 2002. The company expects improved cash flow from operations during fiscal 2003 as a result of the following factors: the collection of under–recovered gas costs of approximately $20 million; the collection of weather normalization recoveries of approximately $8 million related to the warmer than normal weather experienced during fiscal 2002; improved profitability as a result of the outcome of the Elizabethtown Gas rate case; and reduced losses from discontinued operations related to the company's TIC Enterprises and NUI Environmental subsidiaries. As noted above, the company raised approximately $15 million from the sale of its Valley Cities Gas and Waverly Gas subsidiaries. The company has also negotiated another meter–leasing arrangement with a financial institution related to $33 million of gas meters in New Jersey that it expects would close during the second quarter of fiscal 2003 pending NJBPU approval and favorable market conditions at that time. The company will continue to explore advantageous financing arrangements that would enable the company to reduce rates or extend the maturity of existing short–term debt.

The company is considering issuance of additional equity during the latter portion of fiscal 2003 or in fiscal 2004 pending favorable market conditions in order to further reduce debt and move toward a desired capital structure of 50 percent debt and 50 percent equity.

On June 6, 2002, Moody's Investors' Service (Moody's) placed the debt ratings of NUI Corporation and its subsidiary, NUI Utilities, Inc. (NUI Utilities), on review for possible downgrade. NUI Utilities is a wholly–owned subsidiary of NUI that owns the company's six utility operating divisions. Moody's cited that it would assess NUI's prospects for improving its debt coverage ratios and its financial position as the company redeploys cash from the sales of its utility operations toward debt reduction and toward achieving operating efficiencies. Moody's also indicated that it would monitor progress being made by NUI Utilities' Elizabethown Gas division in obtaining approval from the NJBPU for a base rate increase the company filed for during April 2002. Additionally, Moody's indicated that it would monitor the progress made by NUI toward selling its TIC Enterprises subsidiary, and in improving the profits and cash flows of its non–utility subsidiaries.

On September 9, 2002, Moody's downgraded the company's debt rating from Baa–1 to Baa–2. Moody's also downgraded the debt rating of NUI Utilities from A–3 to Baa–1. As a result of this downgrade, the company's cost of borrowing under its short–term credit facilities increased 12.5 basis points or 0.125 percent and the cost of borrowing for NUI Utilities increased 10 basis points or 0.10 percent.

On October 21, 2002, Moody's again placed the debt ratings for the company and NUI Utilities on review for possible downgrade. Moody's cited that it will assess the rate case decision of the company's Elizabethtown Gas division, which was expected toward the end of calendar 2002; the results of the three–year audit; and management's decisions regarding the future of under–performing non–utility businesses.

The company expects that Moody's will complete its review and reach a decision regarding the company's debt ratings during January 2003. Should the company's or NUI Utilities' current debt ratings be downgraded, this would adversely affect the company's and/or NUI Utilities' cost of borrowing under the company's short–term credit facility and potentially increase the collateral requirements of the company's energy trading business. The company has made significant progress in addressing the issues cited by Moody's and a number of factors, as discussed above, are expected to have a materially positive impact upon the company's profitability, cash flows, financial position and ability to service its debt during fiscal 2003 and beyond, The company is actively working to address any remaining issues or concerns by Moody's in an attempt to prevent a downgrade. However, there can be no assurance that a downgrade can be avoided.

Outlook for Fiscal 2003. As a result of the factors discussed above, the company believes that the cash provided by operations during fiscal 2003, combined with the already completed sale of Valley Cities Gas and Waverly Gas, the expected proceeds from the meter lease during the second quarter of the 2003 fiscal year, and the renewal of its short–term borrowing arrangements and/or its ability to raise capital under its current shelf registration statement will enable the company to meet its obligations for the current fiscal year. Additional discussion of certain items noted above follows.

Short–Term Debt. The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $164.3 million at 3.1 percent in fiscal 2002, $161.2 million at 6.2 percent in fiscal 2001, and $75.3 million at 6.7 percent in fiscal 2000. At September 30, 2002, the company had outstanding notes payable to banks amounting to $128.7 million and available unused lines of credit amounting to $96.3 million.

In October 2002, NUI and NUI Utilities amended their existing Credit Agreements with their bank lenders. The amendments to both Credit Agreements removed the requirement to maintain a minimum credit rating, and added provisions providing for increases in the interest rates and facility fees payable corresponding to credit ratings at and below the credit ratings that were previously required under the Credit Agreements. In addition, the minimum fixed charge coverage ratio required pursuant to the NUI Corporation Credit Agreement was amended from 1.75x to 1.50x for quarters ended on or after September 30, 2002. The NUI Corporation Credit Agreement also was amended to modify the fixed charge coverage ratio test to allow for the add back of certain one–time predominantly non–cash charges associated with NUI Corporation's implementation of SFAS 144 and SFAS 142 with respect to NUI Corporation's investment in TIC. The omission of the add–backs in the Credit Agreement covenant prior to the amendment resulted in NUI Corporation being in technical default under the Credit Agreement during fiscal 2002. Because the original Credit Agreement did not allow for such add backs, NUI Corporation's income under the original Credit Agreement covenant calculations was reduced by approximately $13.6 million to account for after–tax losses recorded during fiscal 2002 for discontinued operations of TIC pursuant to SFAS 144, and by approximately $17.6 million because of the adoption of SFAS 142 which related to the carrying value of the goodwill of NUI Corporation's TIC subsidiary. The amendments to the NUI Corporation Credit Agreement cured the technical default thereunder. In addition, both credit agreements were amended to allow the borrowers to enter into up to $50 million aggregate of sale/leaseback transactions to permit NUI Utilities' Elizabethtown Gas subsidiary to consummate a contemplated sale/leaseback of certain gas meters and related equipment in the amount of approximately $33 million, upon approval of the NJBPU. The company expects to be in compliance with the new terms of the financial covenants during fiscal 2003.

The company's lines of credit, under which the company had the ability to borrow up to $225 million, expired on December 18, 2002. As a result of the reduced amount of short–term indebtedness outstanding, and the company's expected lower requirements for short–term credit going forward, at the company's request, the lenders in the company's bank group unanimously agreed to extend the maturity of $195 million of the notes payable through February 12, 2003, which is past the typical cyclical peak of the company's credit needs in December of each year. The company has also received written commitments from a majority of its lenders to extend the maturity of $130 million of the credit facility from that date through February 2004, and is continuing to negotiate with other lenders for a similar commitment. The company believes that it will be able to negotiate sufficient extensions of its credit facility through February 2004 to satisfy its current credit needs as well as to provide a contingency reserve for potential unforeseen events, such as possible higher gas inventory costs if natural gas prices should increase. However, there is no assurance that the company will successfully negotiate the extension or that it will be able to close on the extension of the credit facility in February 2003. As a result of obtaining the new credit agreements, the company's facility fees and borrowing costs increased by 62.5 basis points or 0.625

percent and NUI Utilities' facility fees and borrowing costs increased by 50 basis points, or 0.50 percent. Pricing grids have been provided to the company by its lenders, which tier pricing to higher and lower credit ratings should a debt rating change occur. These increased borrowing rates are expected to be largely, if not completely, offset by lower outstanding balances under the credit facility during fiscal 2003, such that overall interest expense is not expected to differ materially from fiscal 2002.

Long–Term Debt and Funds for Construction Held by Trustee. On August 20, 2001, the company issued $60 million of senior notes with interest rates ranging from 6.60 percent to 7.29 percent. The proceeds were used to repay short–term indebtedness, which was used in part to acquire Virginia Gas and TIC.

The company deposited in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of June 30, 2002, all of the original net proceeds from the bonds had been expended. The remaining $3.9 million classified as Funds for Construction Held by Trustee on the company's Consolidated Balance Sheet at September 30, 2002, represents the unexpended portion of interest earned on the original net proceeds of the bonds.

Common Stock. The company periodically issues shares of common stock in connection with NUI Direct, the company's dividend reinvestment and stock purchase plan, and various employee benefit plans. From time to time, the company may issue additional equity to reduce short–term indebtedness and for other general corporate purposes. As noted above, the company sold 1.725 million shares of its common stock for net proceeds of approximately $37.0 million in March 2002. The total proceeds from all other issuances amounted to approximately $0.7 million in fiscal 2002, $0.5 million in fiscal 2001, and $0.7 million in fiscal 2000. The proceeds were used primarily to reduce outstanding short–term debt.

The company issued stock in conjunction with several acquisitions during fiscal 2002. This included 144,648 shares worth approximately $3.1 million to acquire Virginia Gas Storage and Virginia Gas Distribution (see Note 3 of the Notes to the Consolidated Financial Statements), and 216,039 shares worth approximately $4.2 million to acquire Norcom, Inc. (see Note 5 of the Notes to the Consolidated Financial Statements). In addition, the company issued 47,136 shares to the former owners of NUI Telecom as payment of an incentive of $1.0 million under a provision of the Agreement and Plan of Merger.

The company's long–term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the company is permitted to pay approximately $40.9 million of cash dividends at September 30, 2002.

Assets and Liabilities Held for Sale. The company completed the sale of its North Carolina Gas division on September 30, 2002, and completed the sale of its Valley Cities Gas and Waverly Gas divisions on November 7, 2002 (see Capital Expenditures and Commitments– Sale of North Carolina Gas and Sale of Valley Cites Gas and Waverly Gas). In accordance with the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for Impairment or Disposal of Long–lived Assets," the company has reclassified the assets and liabilities of Valley Cities Gas and Waverly Gas as Held for Sale on the Consolidated Balance Sheet at September 30, 2002 (see Note 10 to the Notes to the Consolidated Financial Statements).

At the time Virginia Gas was acquired, it had two 50 percent owned subsidiaries, Virginia Gas Storage Company (VGSC) and Virginia Gas Distribution Company (VGDC). On October 4, 2001, the company completed its acquisition of the remaining 50 percent interests in VGSC and VGDC from the two individuals that each owned 25 percent of the stock of both companies. Under the terms of the agreements entered into with those two individuals in June 2001, the company paid each owner $750,000 and issued to each owner 72,324 shares of NUI Common Stock in exchange for each owner's stock in both VGSC and VGDC. The acquisition was accounted for as a purchase. The fair value of the net assets was equal to the purchase price.

On October 11, 2001, the company sold the capital stock of Virginia Gas Propane Company, a subsidiary of Virginia Gas, to Heritage Holdings, Inc. The sales price was approximately $3.8 million.

On March 1, 2002, the company sold the capital stock of Virginia Gas Exploration Company and Virginia Gas Marketing Company, subsidiaries of Virginia Gas, to Appalachian Energy, Inc. The sales price was approximately $0.8 million.

Capital Expenditures and Commitments

Capital Expenditures. Capital expenditures, which consist primarily of expenditures to expand and upgrade the company's gas distribution systems, were $55.7 million in fiscal 2002, $59.4 million in fiscal 2001, and $50.0 million in fiscal 2000. The decreased capital spending during the current fiscal year was due to the company's reduction of capital projects due to the current economic climate. This decrease was partially offset by the costs of completing the first portion of a distribution line through South–Central Florida to provide gas to a large industrial customer, as well as the towns of South Bay and Belle Glade, and the inclusion of Virginia Gas for the full year, as compared to only six months in the prior fiscal year.

Capital expenditures are expected to be approximately $54 million in fiscal 2003, which will be used primarily for the company's contribution toward the development and expansion of the Saltville Storage project (see additional discussion below), continued expansion and upkeep of the company's natural gas distribution system and certain information technology projects.

Joint Venture with Duke Energy. On April 30, 2001, the company announced an agreement with a unit of Duke Energy to develop a natural gas storage facility in Saltville, Virginia. NUI's Virginia Gas subsidiary and Duke Energy Gas Transmission (DEGT) have created a limited liability company, Saltville Gas Storage Company LLC (LLC). Upon final approval by appropriate regulatory

agencies, Virginia Gas will contribute certain storage assets valued at approximately $16 million to the LLC. DEGT will contribute $16 million of capital required to expand the facility for its intended purpose.

The company and DEGT will fund the costs of developing the storage assets equally over the next five years. The company currently estimates its share of future funding needs to be $18.3 million in fiscal 2003, $7.3 million in fiscal 2004, $0.8 million in fiscal 2005, $0.7 million in fiscal 2006, and $0.8 million in fiscal 2007. The company expects that all, or substantially all, of its funding requirements for the joint venture during fiscal 2003 will be provided through the execution of a long-term (12-to-15 year) capital lease with a bank on a compressor station. The company has issued a request for proposal on the compressor station lease and is currently evaluating bids to provide the funding. However, there can be no assurance that the company will be able to negotiate and close on the planned capital lease transaction.

The LLC plans to expand the present Saltville storage facility from its current capacity of 1 Bcf to approximately 12 Bcf and connect it to DEGT's East Tennessee Natural Gas interstate system and DEGT's Patriot pipeline, which is under construction. At full capacity, the Saltville storage field will be able to deliver up to 500 million cubic feet per day of natural gas to area markets. The Saltville facility features fast-injection and fast-withdrawal capabilities offered by salt cavern storage. The expansion will be completed in phases starting in fiscal 2003, with the Phase I total of 6.1 Bcf of working storage capacity, to be completed by fiscal 2007. The market demand for additional storage will dictate the timing of the other phases of the expansion.

Development of the Saltville facility is intended to create a strategically located energy-trading hub for NUI's wholesale trading arm, Energy Brokers, and enable the company to capitalize on the energy supply, wholesale trading and portfolio management opportunities in the rapidly developing Mid-Atlantic region. The additional storage capacity would allow the company to meet the significant demand from local distribution companies as well as power plant development that is underway in the region.

On October 26, 2001, the LLC filed a certification application with the Virginia State Corporation Commission (VSCC). A public hearing was held on this matter on February 20, 2002 and the Hearing Examiner's report was issued on May 31, 2002. On August 6, 2002, the VSCC issued an order granting a Certificate of Public Convenience and Necessity (CPCN) for the storage facilities and attendant pipeline. The CPCN authorizes the LLC to construct, develop and maintain Phase I of the project, and specifies certain other information, including allowed returns on this regulated storage asset.

Development of Trading Hubs. The company's wholesale trading subsidiary, Energy Brokers, has acquired options on the land and mineral rights for property located in Richton, Perry County, Mississippi, that the company plans to develop into a natural gas storage facility to help serve the Southeast United States. Energy Brokers plans to develop a two-well salt dome storage facility in Richton that would have a working gas capacity of approximately 7.8 billion cubic feet.

The first well and a 14-mile pipeline to connect with the Destin Pipeline are tentatively scheduled to be operational in the latter part of fiscal 2004 or in fiscal 2005. Implementation of this development plan is dependent on favorable results from testing and other operational issues that are currently under consideration by the company. This project is not expected to have any material capital requirements in fiscal 2003 and, if the project proves feasible, will primarily impact the company's capital expenditure program in fiscal years 2004 and 2005 after the funding needs of Phase I of the Saltville facility (discussed above) are essentially satisfied.

The benefits of the Richton site to customers and Energy Brokers are: (1) its proximity to a number of major interstate pipelines, including Destin Pipeline and its connections to Williams Gas Pipeline-Transco, Florida Gas Transmission, Gulf South Pipeline, Tennessee Natural Gas, Southern Natural Gas and Gulfstream Pipeline; and (2) the quick-fill, quick-withdrawal capabilities offered by salt dome storage.

Contractual Obligations and Commercial Commitments. In the course of its business activities, the company enters into a variety of contractual obligations and commercial commitments. Some of these items result in direct obligations on NUI's balance sheet while others are commitments, some firm and some based on uncertainties, that are disclosed in the company's underlying consolidated financial statements.

The following table summarizes the company's contractual obligations by payment due date. Each of these obligations is discussed in further detail below (amounts in thousands):

		Payments Due by Period			
Contractual Cash Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt (1)	$310,100	$ ——	$50,000	$5,000	$255,100
Capital lease obligations (2)	16,318	3,004	4,674	2,540	6,100
Notes payable to banks	128,690	128,690	——	——	——
Notes payable	3,000	3,000	——	——	——
Operating leases	87,712	6,793	10,663	10,530	59,726
Capital commitments (3)	27,883	18,314	8,083	1,486	——
Gas procurement contracts	179,239	60,526	56,468	35,593	26,652
Total contractual obligations	$752,942	$220,327	$129,888	$55,149	$347,578

(1) The long-term debt cash obligations exclude $1.1 million of unamortized debt discounts as of September 30, 2002.

(2) The amount presented includes $3.2 million of interest to be paid on the capital leases.

(3) See discussion under "Joint Venture with Duke Energy" and Note 21 of the Notes to the Consolidated Financial Statements.

Long–term Debt. The company repaid $20 million of Medium–Term Notes in August 2002. The company's long–term debt instruments are scheduled on the Consolidated Statement of Capitalization in the financial statements that follow (see F–6).

Capital lease obligations. The company acquires property and equipment under capital leases in the ordinary course of business, and the terms of the agreements vary through 2012. At September 30, 2002, the company had total obligations under capital leases of $13.1 million.

Operating leases. The company maintains operating leases in the ordinary course of business. These leases include those for office space and office equipment, and the terms of the agreements vary from 2003 through 2022. At September 30, 2002, the company had total commitments under operating leases of $87.7 million. (see Note 16 of the Notes to the Consolidated Financial Statements).

Gas Procurement Contracts. Certain of the company's long–term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $62.6 million annually. The company also is committed to purchase, at market–related prices, minimum quantities of gas that, in the aggregate, are approximately 2.6 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

Commitments

Environmental. The company owns or previously owned properties on which former manufactured gas plants (MGP) were operated in the states of New Jersey, North Carolina, South Carolina, Pennsylvania, New York and Maryland. Although the actual total cost of future environmental investigation and remediation efforts cannot be reasonably estimated, the company has recorded a total reserve of approximately $33.8 million, which the company believes represents the probable minimum amount the company may expend over the next 30 years. Of this reserve, approximately $30.2 million relates to the New Jersey MGP properties and approximately $3.6 million relates to the MGP properties located outside the state of New Jersey. The company believes that all costs associated with remediation of the New Jersey MGP properties will be recoverable in rates or from insurance carriers. In New Jersey, the company has begun rate recovery of approximately $8.2 million of such costs and recovery of an additional $1.7 million is currently pending NJBPU approval. With respect to costs that may be associated with the MGP properties located outside the state of New Jersey, the company intends to pursue recovery from ratepayers, former owners and operators, and/or insurance carriers. However, the company is not able, at this time, to express a belief as to whether any or all of these recovery efforts will ultimately be successful.

Sale of Valley Cities Gas and Waverly Gas. On October 5, 2000, the company agreed to sell the assets of its Valley Cities Gas and Waverly Gas utility operations (VCW) to C&T Enterprises, Inc. (C&T), of Pennsylvania for $15 million. C&T agreed to pay up to an additional $3 million to the company should certain revenue targets be achieved. The transaction closed on November 7, 2002, after all regulatory approvals had been obtained. For the year ended September 30, 2002, VCW generated $9.2 million of operating revenues, $3.5 million of operating margin and $1.9 million of operating income.The operating results of VCW have been classified as discontinued operations in the Consolidated Statement of Income at September 30, 2002 (see Note 10 to the Notes to the Consolidated Financial Statements).

Sale of North Carolina Gas. On May 15, 2002, the company agreed to sell the assets of its North Carolina Gas utility operation (NC) to Piedmont Natural Gas of North Carolina for approximately $26 million. The transaction closed on September 30, 2002, after all regulatory approvals had been obtained. For the year ended September 30, 2002, NC generated $13.9 million of operating revenues, $6.2 million of operating margin and $0.3 million of operating loss.The operating results of NC have been classified as discontinued operations in the Consolidated Statement of Income at September 30, 2002 (see Note 10 to the Notes to the Consolidated Financial Statements).

Acquisition of Norcom, Inc. On March 22, 2002, the company entered into an agreement to acquire certain assets of Norcom, Inc. (Norcom), including 4,000 customer accounts. The agreement provided that NUI Telecom assumed management control of the business of Norcom effective March 1, 2002. Accordingly, the revenues and expenses of Norcom have been consolidated as of that date.

On August 28, 2002, the company completed the transaction, subject to post–closing adjustments. The purchase price totaled approximately $4.2 million and included the issuance of 216,039 shares of NUI common stock. Norcom is a provider of telecommunications services in the Northeast and Southeast regions of the United States and its customer accounts will be combined with the company's NUI Telecom subsidiary.

Acquisition of Telcorp, Inc.On May 31, 2002, the company entered into an agreement to acquire certain assets of Telcorp, Ltd. (Telcorp). In addition, the company entered into a letter agreement with Telcorp, which provides that NUI Telecom assumed management control of the business effective April 1, 2002. Accordingly, the revenues and expenses of Telcorp have been consolidated as of that date.

On September 1, 2002, the company completed its acquisition of certain assets of Telcorp, subject to post–closing adjustments. The purchase price totaled approximately $3.4 million in cash. Telcorp is a non–facilities–based reseller that provides a suite of advanced voice and data services to large and small businesses and its customer accounts will be combined with the company's NUI Telecom subsidiary.

Agreement to Acquire Assets of Norcom Agency Sales, Inc. On March 22, 2002, the company entered into an agreement to acquire certain assets of Norcom Agency Sales, Inc. (NAS). The agreement provides for the company to pay the seller a multiple of total sales to new customers obtained by NAS as agent for NUI Telecom during the period April 1, 2002, through October 31, 2003. The multiple to be paid will be determined based on the actual new customer revenues generated by NAS for the month of October 2003, and is subject to post–closing adjustments.

The purchase price will be paid in NUI common stock. The number of shares of NUI common stock to be issued will be determined by dividing the total purchase price by the average closing price of NUI's common stock for the first 20 of the 25 consecutive trading days immediately preceding October 31, 2003. The company expects to close on this transaction in or around February 2004.

Acquisition of Virginia Gas Storage Company (VGSC) and Virginia Gas Distribution Company (VGDC). At the time Virginia Gas was acquired, it had two 50 percent owned subsidiaries, VGSC and VGDC. On October 4, 2001, the company completed its acquisition of the remaining 50 percent interests in each of VGSC and VGDC from the two individuals that each owned 25 percent of the stock of both companies. Under terms of the agreements entered into with those two individuals in June 2001, the company paid each owner $750,000 and issued to each owner 72,324 shares of NUI Common Stock in exchange for each owner's stock in both VGSC and VGDC. The acquisition was accounted for as a purchase. The fair value of the net assets was equal to the purchase price.

Sale of Virginia Gas Propane Company. On October 11, 2001, the company sold the capital stock of Virginia Gas Propane Company, a subsidiary of Virginia Gas, to Heritage Holdings, Inc. The sales price was approximately $3.8 million.

Sale of Virginia Gas Exploration Company and Virginia Gas Marketing Company. On March 1, 2002, the company sold the capital stock of Virginia Gas Exploration Company and Virginia Gas Marketing Company, subsidiaries of Virginia Gas, to Appalachian Energy, Inc. The sales price was approximately $0.8 million.

Quantitative and Qualitative Disclosure AboutMarket Risk Exposure

Energy Brokers uses derivatives for multiple purposes: i) to hedge price commitments and minimize the risk of fluctuating gas prices, ii) to fulfill its trading strategies and, therefore, ensure favorable prices and margins, and iii) to take advantage of market information and opportunities in the marketplace. These derivative instruments include forwards, futures, options and swaps. Energy Brokers accounts for its trading activities in accordance with the Emerging Issues Task Force Issue 98–10, by marking–to–market all trading positions. The majority of Energy Brokers' positions are short–term in nature (up to 2 years) and can be readily valued using New York Mercantile Exchange settlement prices and those from several other well–established, third–party organizations.

The risk associated with open positions is closely monitored on a daily basis, and controlled in accordance with Energy Brokers' Risk Management Policy. This policy has been prepared by senior management and approved by the company's Board of Directors, and dictates policies and procedures for all trading activities. The policy defines both value–at–risk (VaR) and loss limits, and all traders are required to read, sign, and follow this policy. At the end of each day, all trading positions are marked–to–market and a VaR is calculated. This information, as well as the status of all limits, is disseminated to senior management daily. In addition, the Risk Management Policy is regularly reviewed by senior management to assure that it is current and responsive to all marketplace risks, with any changes approved by the Board of Directors.

The following schedule summarizes the changes in derivative assets and liabilities for the year ended September 30, 2002 (in thousands). Amounts are shown net of valuation reserves.

Derivative assets at September 30, 2001	$27,710	
Derivative liabilities at September 30, 2001	(19,994)	
Fair value of contracts outstanding at September 30, 2001		$7,716
Contracts realized or settled during the period		(21,231)
Fair value of new contracts entered into during the period		25,620
Changes in fair value attributable to market pricing		17,484
Derivative assets at September 30, 2002	$30,441	
Derivative liabilities at September 30, 2002	(852)	
Fair value of contracts outstanding at September 30, 2002		$29,589

The fair value of new contracts entered into during the period represents the unrealized fair value at the balance sheet date of all new contracts outstanding. Changes in the fair value attributable to market pricing represents the changes in value of the company's unrealized mark–to–market net assets that relate to changes in commodity pricing, volatility of options on commodities, and other market related changes.

The following table summarizes the fair value of the contracts comprising the company's net derivative assets by maturity date (amounts in thousands):

Source of Fair Value	Fair Value of Contracts at Period–End				
	Less than 1 Year	1–3 Years	4–5 Years	In Excess of 5 Years	Total
Prices actively quoted	$16,994	$263	$——	$——	$17,257
Prices provided by other external sources	781	87	——	——	868
Prices based on models and other valuation methods, net of valuation reserves	-	-	-	-	-
Total Fair Value of Contracts	3,913	4,336	2,243	972	11,464
	$21,688	$4,686	$2,243	$972	$29,589

Energy Brokers utilizes the variance/covariance VaR methodology. Using a 95 percent confidence interval and a one–day time horizon, Energy Brokers' VaR was $328,000 and $330,000 at September 30, 2002 and 2001, respectively. The average, high, and low value at risk for the year ended September 30, 2002 was $216,000, $503,000, and $32,000, respectively.

Application of Critical Accounting Policies

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management considers Critical Accounting Policies to be those that could result in materially different financial statement results if our assumptions regarding application of accounting principles were different. A description of the company's Critical Accounting Policies follows. Other significant accounting policies are discussed in Note 1 of the Notes to the Consolidated Financial Statements– "Summary of Significant Accounting Policies." Recently issued accounting standards are also discussed in Note 1 of the Notes to the Consolidated Financial Statements– "New Accounting Standards."

Accounting for the Effects of Regulation. The company's utility operations follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). In general, SFAS 71 requires deferral of certain costs and obligations, based upon orders received from regulators, to be recovered from or refunded to customers in future periods. In the event that the provisions of SFAS 71 were no longer applicable, the company would recognize a write–off of net regulatory assets (regulatory assets net of regulatory liabilities) that would result in a charge to income, which would be classified as an extraordinary item in the company's Consolidated Statement of Income.

Accounting for Derivative Instruments and Hedging Activities. On October 1, 2000, the company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 established accounting and reporting standards regarding derivative instruments and requires that all derivative instruments be recorded on the balance sheet at their fair value as either an asset or liability, and that changes in their fair value be recognized currently in earnings unless certain criteria are met.

The company accounts for its energy trading and non–regulated retail energy businesses in accordance with the provisions of the Emerging Issues Task Force (EITF) 98–10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 98–10). EITF 98–10 requires that energy–trading contracts be marked–to–market with gains and losses included in current earnings. The majority of the company's contracts have terms of less than two years. The company marks–to–market its trading positions using readily obtainable New York Mercantile Exchange settlement prices and those from several other well–established, third–party organizations. See Capital Expenditures and Commitments– Market Risk Exposure for a more detailed discussion of types of contracts and values at risk. In October 2002, the EITF issued EITF 02–03, which rescinded EITF 98–10 effective October 25, 2002 for all new contracts executed and January 1, 2003 for all existing energy contracts. See Note 1 of the Notes to the Consolidated Financial Statements– New Accounting Standards for a discussion of the new EITF accounting.

Goodwill. As described in Note 1 of the Notes to the Consolidated Financial Statements, on October 1, 2001, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets" (SFAS 142). Implementation of the accounting pronouncement required the company to perform a fair value assessment of its subsidiaries that had recorded goodwill. As discussed in Note 8 of the Notes to the Consolidated Financial Statements, the company recognized a pre–tax transitional impairment loss of approximately $27.1 million. The company must assess the impairment of goodwill on an annual basis or whenever events or changes in circumstances indicate that this asset may not be recoverable. Management's judgment regarding an impairment is based on indicative factors including significant decreases relative to historical or projected future operating results; significant changes in the use of the acquired assets or business strategy; and significant negative economic trends. In the event that an impairment would exist, the company would be required to write–down the carrying value of goodwill to its new fair value.

Pension and Post–Retirement Benefits. The company has significant pension and post–retirement benefit costs and liabilities that are developed from actuarial valuations. Inherent in these valuations are key assumptions including discount rates, expected return on plan assets, mortality rates, merit and promotion increases and health care cost trend rates. The company is required to consider current market conditions, including changes in interest rates and health care costs, in selecting these assumptions. Changes in related pension and post–retirement benefit costs or liabilities may occur in the future due to changes in these assumptions. For example, a one–half percent decrease in the expected return on assets would increase pension expense by approximately $0.5 million.

Commitments and Contingencies. The company is subject to proceedings, lawsuits and other claims related to environmental, labor and other matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of liability to be recorded, if any, for these contingencies is made after careful analysis of each individual matter. The liability recorded may change in the future due to new developments in any of the matters.

Effects of Inflation

The company's tariffs associated with its utility operating divisions provide PGA clauses through which rates charged to customers are adjusted for changes in the cost of gas on a reasonably current basis. Increases in other utility costs and expenses not otherwise offset by increases in revenues or reductions in other expenses could have an adverse effect on earnings due to the time lag associated with obtaining regulatory approval to recover such increased costs and expenses, and the uncertainty of whether regulatory commissions will allow full recovery of such increased costs and expenses.

Risk Factors

A significant portion of our operations are not guaranteed any rate of return and, therefore, we may not be able to recover any losses incurred by those operations

Unlike our regulated natural gas operations, our non-regulated businesses are not guaranteed any rate of return on capital investment through predetermined rates, and revenues and results of operations are likely to depend, in large part, upon prevailing market conditions. If some or all of our non-regulated businesses are unsuccessful, that could adversely affect our results of operations. We will not be able to recover any losses incurred by these businesses in our utility rates.

We encounter significant competition in the businesses in which we operate. If we are unable to successfully compete in our business markets, our results of operations will be adversely affected

We face competition in each of our business segments. Our distribution services businesses compete with distributors of other fuels and forms of energy, including electricity, fuel oil and propane, in all portions of the territories in which we have gas distribution mains. Our wholesale energy marketing and trading businesses compete with other trading entities, including energy trading entities as well as financial institutions.We expect competition in our retail and business services segment, in particular with respect to our telecommunications operations, to intensify as new communications service providers and agents enter the market. Also, our UBS subsidiary competes in the market for the outsourcing of utility company information services, including billing and other customer information, and the geospatial information services of utility system facilities such as pipes, wires and remote computing capabilities. Competition is intense in many of our markets. Some of our competitors have greater financial resources and access to larger supplies of natural gas than those available to us. These resources could allow those competitors to price their services more aggressively than we do, which could cause us to lose existing customers or to be unable to attract and acquire new customers.

We expect increased competition in natural gas distribution from participants in the electricity industry as deregulation in that industry decreases prices and increases supply sources. Furthermore, the unbundled sale of natural gas to customers is subject to competition from unregulated marketers and brokers, which generally do not bear the obligations or costs related to operating a regulated utility. We also face the risk of loss of transportation service for large industrial customers that may have the ability to build connections to interstate gas pipelines and bypass our distribution system. The renewal or replacement of the existing long-term contracts with our natural gas customers at rates sufficient to maintain current revenues and cash flows depend upon a number of factors beyond our control, including:

- competition from other gas storage or pipelines facilities;
- the price of, and demand for, natural gas in markets served; and
- the viability of our expansion projects.

Furthermore, the local access, long distance, wireless and Internet services we market in the telecommunications segment compete for customer recognition with other providers offering similar services. NUI Telecom competes directly with other communications services agents and indirectly with national, regional and local communications providers of local access, long distance, wireless and Internet services. Primary competitors include Verizon, BellSouth, Sprint, and WorldCom. Many of these competitors have greater name recognition and financial, marketing and other resources. As a result, NUI Telecom may be unable to successfully compete against its competitors' pricing strategies, technology advances, advertising campaigns and other initiatives.

UBS must upgrade its technology in order to maintain its long-term competitive position. Such upgrading requires capital and technical expertise that may be in short supply. There is also no assurance that UBS will successfully anticipate and provide the technological changes that customers will require. Also, UBS competes with major companies, such as SAP, Orcom, and SCT, and with smaller local or regional service providers that often have existing relationships with the smaller public and private utilities that are UBS' target customers.

Our energy trading business relies on price volatility to achieve its margins and could experience lessened demand if natural gas prices become stable, while our retail gas marketing operations depend on our ability to adjust to price changes.

Our trading business, Energy Brokers, benefits from price volatility for natural gas and gas transportation capacity, which historically has been seasonal and volatile. By taking positions in contractual rights to provide or receive gas at various locations at various points in time, our traders can achieve higher margins if prices change greatly rather than remaining stable. In contrast, as part of our gas marketing activities within NUI Energy, we purchase natural gas at a price determined by prevailing market conditions. Simultaneously with our purchase of natural gas, we generally resell natural gas at a higher price under a sales contract that is comparable in terms to our purchase contract, including any price escalation provisions. In most instances, small margins are characteristic of natural gas marketing because there are numerous companies of greatly varying size and financial capacity who compete with us in the marketing of natural gas.

Long periods of stable prices could significantly reduce our trading profits. If we are unable to reduce and manage the price risk inherent in volatile markets through the use of hedging techniques, losses in these operations could occur. The profitability of our natural gas marketing operations depends on the following factors:

- our responsiveness to changing markets and our ability to negotiate natural gas purchase and sales agreements in changing markets;
- reluctance by end-users to enter into long-term purchase contracts;
- consumers' willingness to use other fuels when natural gas prices get too high;
- timing of imbalance or volume discrepancy corrections and their impact on financial results; and
- the ability of our customers to make timely payment.

We use derivative instruments, including forwards, futures, options and swaps, for multiple purposes and, if we experience volatility in the market values of the underlying commodities or if one of our counterparties fails to perform under a contract, we could incur financial losses in the future

Our wholesale trading subsidiary, Energy Brokers, uses derivatives for multiple purposes: to hedge price commitments; to take advantage of market information and opportunities in the marketplace, and to fulfill its trading strategies and, therefore, ensure favorable prices and margins; and minimize the risk of fluctuating gas prices. These derivative instruments include forwards, futures, options and swaps. These activities could result in financial losses in the future as a result of volatility in the market values of the underlying commodities or if one of our counterparties fails to perform under a contract.

Our regulated natural gas storage operations are subject to seasonality

Our regulated natural gas storage operations have benefited from large price swings and peaking resulting from seasonal price sensitivity through increased withdrawal charges and demand for non-storage hub services. There can be no certainty that the market for natural gas will continue to experience volatility and seasonal price sensitivity in the future at the levels previously seen. If volatility and seasonality in the natural gas industry decrease, because of increased storage capacity throughout the pipeline grid, increased production capacity or otherwise, the demand for our storage services and, therefore, the prices that we will be able to charge for those services, may decline.

Our storage operations are subject to all of the risks generally associated with the storage of natural gas, a highly volatile product, and we could experience losses not covered by insurance if there is any injury or damage as a result of any accident or other incident

Natural gas is a highly volatile product, and our gas storage operations are therefore subject to a variety of risks, including personal injuries and damage to storage facilities, related equipment and surrounding properties caused by hurricanes, weather and other acts of God, fires and explosions, subsidence, as well as leakage of natural gas. Our storage facilities incorporate certain primary and backup equipment, which, in the event of mechanical failure, might take some time to replace. Any prolonged disruption to the operations of our storage facilities, whether due to mechanical failure, labor difficulties, destruction of or damage to such facilities, severe weather conditions, interruption of transportation or utilities service or other reasons, could have a material adverse effect on our business, results of operations and financial condition. Additionally, some of our storage contracts obligate us to indemnify the customer for any damage or injury occurring during the period in which the customer's natural gas is in our possession. In order to minimize the effects of any such incident, we maintain insurance coverage which includes property, general liability, professional liability, and business interruption insurance; however, there is no assurance that the proceeds of any such insurance would be paid in a timely manner or be in an amount sufficient to meet our needs if such an event were to occur.

We rely on interstate pipelines and third-party natural gas production and any interruption of service or production could affect our ability to supply our customers or store natural gas

To obtain natural gas, our storage business depends on the pipelines to which it has access. Many of these pipelines are owned by parties not affiliated with us. Any interruption of service on those pipelines or any adverse change in the terms and conditions of service could have a material adverse effect on our ability (and the ability of our customers) to transport natural gas to and from our

facilities and a corresponding material adverse effect on our storage revenues. In addition, the rates charged by those interconnected pipelines for transportation to and from our facilities affect the utilization and value of our storage services. Significant changes in the rates charged by those pipelines or the rates charged by other pipelines with which the interconnected pipelines compete could also have a material adverse effect on our storage revenues.

Our operations are subject to regulation from various state and federal regulatory commissions, which could limit the rates we may charge or restrict our growth

The construction, operation, maintenance, safety, and rates of our pipelines and gas storage facilities are typically regulated by state regulatory commissions with jurisdictional authority and are also subject to federal regulation and oversight with respect to safety issues. The significant regulatory factors that have previously affected this aspect of our business or could affect it from time to time include the following:

- regulatory authorities may not allow us to charge rates sufficient to recover our costs; and

- regulatory authorities may prohibit, delay, or restrict our ability to build pipelines and gas storage facilities needed to access the marketplace.

Our tariffs associated with our utility operating divisions provide purchased gas adjustment clauses through which rates charged to customers are adjusted for changes in the cost of natural gas on a reasonably current basis. Increases in other utility costs and expenses, not otherwise offset by increases in revenues or reductions in other expenses, could have an adverse effect on earnings due to the time lag associated with obtaining regulatory approval to recover such increased costs and expenses, and the uncertainty of whether regulatory commissions will allow full recovery of such increased costs and expenses.

Our debt payments are subject to variations in interest rates, which we may not be able to manage

We are exposed to changes in interest rates as a result of our issuance of variable–rate debt and our short–term bank credit facilities. Although we attempt to manage our interest rate exposure by limiting our variable–rate and fixed–rate exposures to certain percentages of total capitalization, and by monitoring the effects of market changes in interest rates, we may not be able to sufficiently manage and mitigate interest rate risk exposure and, as a result, our future interest payments may increase significantly if interest rates rise.

Our natural gas sales and pipeline throughputs vary from quarter to quarter because of fluctuations in temperature that affect customer demand

We experience quarter–to–quarter fluctuations in our financial results because our natural gas sales and pipeline throughputs are affected by changes in demand for natural gas, primarily because of the weather. In particular, demand on our Elizabethtown Gas system in New Jersey fluctuates due to weather variations because of the many seasonal heating customers that are served by that system. As a result, the winter months have historically generated more income than summer months on the Elizabethtown system. There can be no assurances that our efforts to minimize such effects will have any impact on future quarter–to–quarter fluctuations resulting from seasonal demand patterns.

Our operations are subject to federal, state and local environmental laws and regulations

We are subject to federal, state and local laws and regulations, including those relating to the protection of the environment, natural resources, health and safety, waste management, and transportation of hydrocarbons and chemicals. Sanctions for non–compliance with such laws and regulations may include administrative, civil and criminal penalties, revocation of permits and corrective action orders. Environmental laws have become more stringent over the years and sometimes are applied retroactively. As a result of our historical waste disposal practices, we may incur material environmental costs and liabilities that may not be covered by insurance. In addition, environmental laws and regulations can hold a party liable for environmental damage without regard to that party's negligence or fault. Therefore, we could have liability for the conduct of others, or for acts that were in compliance with all applicable laws at the time we performed them. There also may be no assurance that we have discovered and identified all acquisition liabilities, including liabilities arising from non–compliance with governmental regulation and environmental laws by former owners, and for which we, as the new owner, may be responsible.

Our business is subject to many hazards from which our insurance may not adequately provide protections or coverage

Our operations are subject to many hazards. These hazards include:

- damage to pipelines, related equipment and surrounding properties caused by hurricanes, floods, fires and other natural disasters;

- inadvertent damage from construction and farm equipment;

- leakage of natural gas and other hydrocarbons;

- fires and explosions; and

– other hazards, including those associated with natural gas, that could also result in personal injury and loss of life, pollution and suspension of our operations.

Although we have insurance to protect against many of these liabilities, this insurance is capped at certain levels and does not provide coverage for all liabilities. Therefore, it is possible that our insurance may not be adequate to cover all losses or liabilities that we might incur in our operations. Moreover, there is no assurance that we will be able to maintain insurance at adequate levels or at reasonable rates, and particular types of coverage may not be available in the future. Should catastrophic conditions occur that interrupt delivery of gas for any reason, such occurrence could have a material impact on the profitability of our operations.

We may be unable to raise sufficient capital to fund our growth strategy or meet our future funding obligations

Our ability to implement our energy market growth strategy depends upon our ability to obtain financing for the acquisition and construction of additional gas pipeline and storage systems or to enter into partnerships to mitigate those financing requirements. There is no assurance that we will be successful either in securing the adequate capital commitments we seek or obtaining partners to mitigate those financing needs. We may need to refinance our existing credit agreements or sell additional equity securities in order to meet our capital needs. If we are unable to refinance or raise additional funds, it will have a material adverse effect on our operations. If we raise funds by selling additional equity securities, ownership by existing shareholders will be diluted.

Furthermore, there is no assurance that we will not need additional funds to implement our growth strategy, or that any needed longer–term financing will be available on acceptable terms. Our debt agreements also contain a number of significant covenants limiting our ability to, among other things, borrow additional money, transfer or sell assets, create liens and enter into a merger or consolidation. These covenants also require us to meet certain financial tests. If we were unable to meet our debt service obligations or to comply with these covenants, there would be a default under one or more of the agreements. Such a default, if not waived, could result in acceleration of the repayment of our debt and have a material adverse effect on our operations.

Forward–Looking Statements

This document contains forward–looking statements. These statements are based on management's current expectations and information currently available, are believed to be reasonable and are made in good faith. However, the forward–looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the statements. Factors that may make the actual results differ from anticipated results include, but are not limited to, economic conditions; the volatility of natural gas prices; weather fluctuations; regulatory changes; competition from other providers of similar products; counter–party credit risk; access to capital markets; interest rate changes; and other uncertainties, all of which are difficult to predict and many of which are beyond our control. For these reasons, you should not rely on these forward–looking statements when making investment decisions. The words "expect," "believe," "project," "anticipate," "intend," "should," "could," "will,", "estimate" and variations of such words and similar expressions, are intended to identify forward–looking statements. We do not undertake any obligation to update publicly any forward–looking statement, either as a result of new information, future events or otherwise, except as required by securities laws.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

See Item 7– Management's Discussion and Analysis of Results of Operations and Financial Condition, Quantitative and Qualitative Disclosures About Market Risk.

Item 8. Financial Statements and Supplementary Data

Consolidated financial statements of the Company as of September 30, 2002 and 2001 and for each of the three years in the period ended September 30, 2002, the auditors' report thereon, and the unaudited quarterly financial data for the two–year period ended September 30, 2002, are included herewith as indicated on "Index to Financial Statements and Schedule" on page F–1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information concerning directors and officers of the company is included in the definitive Proxy Statement for the company's Annual Meeting of Stockholders, which is incorporated herein by reference. Such Proxy Statement will be filed with the Securities and Exchange Commission on or before January 28, 2003.

Item 11. Executive Compensation

Information concerning executive compensation is included in the definitive Proxy Statement for the company's Annual Meeting of Stockholders, which is incorporated herein by reference. Such Proxy Statement will be filed with the Securities and Exchange Commission on or before January 28, 2003.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information concerning security ownership of certain beneficial owners and management is included in the definitive Proxy Statement for the company's Annual Meeting of Stockholders, which is incorporated herein by reference. Such Proxy Statement will be filed with the Securities and Exchange Commission on or before January 28, 2003.

Item 13. Certain Relationships and Related Transactions

Information concerning certain relationships and related transactions is included in the definitive Proxy Statement for the company's Annual Meeting of Stockholders, which is incorporated herein by reference. Such Proxy Statement will be filed with the Securities and Exchange Commission on or before January 28, 2003.

Item 14. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The company's Chief Executive Officer and Chief Operating Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of a date within 90 days before the filing of this annual report (the "Evaluation Date"). Based on their evaluation as of the Evaluation Date, the Chief Executive and the Chief Operating Officer and Chief Financial Officer have concluded that the company's disclosure controls and procedures (as defined in Rules 13a−14(c) and 15d−14(c) of the Exchange Act) are effective to ensure that information required to be disclosed by the company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within required time periods.

(b) Changes in Internal Controls

The company maintains a system of internal accounting controls that are designed to provide reasonable assurance that the company's books and records accurately reflect the company's transactions and that the company's established policies and procedures are followed. Subsequent to the Evaluation Date, there were not significant changes to the company's internal controls or other factors that could significantly affect our internal controls.

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Consolidated Financial Statements of NUI Corporation and Subsidiaries:

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Unaudited Quarterly Financial Data for the Two−Year Period Ended September 30, 2002 (Note 23 of the Notes to the Company's Consolidated Financial Statements)	F−33

Financial Statement Schedule of NUI Corporation and Subsidiaries:

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All other schedules are omitted because they are not required, are inapplicable or the information is otherwise shown in the financial statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholders of NUI Corporation:

In our opinion, the consolidated financial statements referred to in Item 15(a)(1) on page F–1 present fairly, in all material respects, the financial position of NUI Corporation and its subsidiaries at September 30, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule referred to in Item 15(a)(2) on page F–1 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the company has restated its financial statements as of September 30, 2001 and for each of the two years in the period ended September 30, 2001, previously audited by other independent accountants who have ceased operations.

As discussed in Notes 1 and 8, the company changed its method of accounting for goodwill as of October 1, 2001 and adopted SFAS 144, "Accounting for Impairment and Disposal of Long–lived Assets" for reporting discontinued operations and changed from a gross to a net presentation of energy trading revenues for the three years in the period ended September 30, 2002, respectively.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

December 26, 2002

NUI Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)

	Years Ended September 30,		
	2002	2001 (Restated– see Note 2)	2000 (Restated– see Note 2)
Operating Margins			
Operating revenues	$556,468	$659,866	$498,744
Less– Purchased gas and fuel	299,491	421,889	290,059
Cost of sales and services	35,374	20,029	14,574
Energy taxes	10,719	12,918	11,571
	210,884	205,030	182,540
Other Operating Expenses			
Operations and maintenance	121,886	104,615	96,821
Depreciation and amortization	31,079	26,463	27,815
Restructuring and other non–recurring items	1,203	—	—
Taxes, other than income taxes	8,382	7,274	7,212
	162,550	138,352	131,848
Operating Income	48,334	66,678	50,692
Other Income and Expense, Net			
Gain on sales of assets	81	181	2,834

Other	204	1,286	155
	285	1,467	2,989
Income from Continuing Operations before Interest and Taxes	48,619	68,145	53,681
Interest expense	21,236	22,123	18,682
Income from Continuing Operations before Income Taxes	27,383	46,022	34,999
Income taxes	11,224	18,666	14,356
Income from Continuing Operations before Effect of Change in Accounting	16,159	27,356	20,643
Discontinued Operations			
Loss from discontinued operations	(22,344)	(17,725)	(172)
Income tax benefit	(7,939)	(6,682)	(87)
Loss from Discontinued Operations	(14,405)	(11,043)	(85)
Income before Effect of Change in Accounting	1,754	16,313	20,558
Effect of change in accounting (net of tax benefit of $9,500)	(17,642)	---	---
Net Income (Loss)	$(15,888)	$16,313	$20,558
Income from Continuing Operations Per Share of Common Stock	$ 1.08	$ 2.05	$ 1.60
Net Income (Loss) Per Share of Common Stock	$ (1.06)	$ 1.22	$ 1.59
Dividends Per Share of Common Stock	$ 0.98	$ 0.98	$ 0.98
Weighted Average Number of Shares of Common Stock Outstanding	14,937,755	13,355,573	12,928,528

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in thousands)

	September 30, 2002	2001 (Restated– see Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents	$4,247	$2,601
Accounts receivable (less allowance for doubtful accounts of $5,192 in 2002 and $3,875 in 2001)	83,611	82,885
Fuel inventories, at average cost	37,390	54,776
Unrecovered purchased gas costs	26,756	9,815
Derivative assets	22,540	18,633
Federal income tax receivable	7,819	17,077
Prepayments and other	33,738	57,488
	216,101	243,275
Property, Plant and Equipment		
Property, plant, and equipment, at original cost	945,901	890,880
Accumulated depreciation and amortization	(304,055)	(285,463)

Unamortized plant acquisition adjustments, net	14,484	23,155
	656,330	628,572
Funds for Construction Held by Trustee	3,884	12,570
Other Investments	117	5,095
Assets Held for Sale	15,879	47,967
Other Assets		
Regulatory assets	75,845	105,726
Long–term portion of derivative assets	7,901	9,077
Goodwill, net of accumulated amortization	19,126	49,509
Other assets	46,109	44,600
	148,981	208,912
	$1,041,292	$1,146,391
CAPITALIZATION AND LIABILITIES		
Current Liabilities		
Notes payable to banks	$128,690	$184,610
Notes payable	3,000	3,000
Current portion of long–term debt and capital lease obligations	2,351	21,944
Accounts payable, customer deposits and accrued liabilities	125,484	145,029
Derivative liabilities	852	17,963
Federal income and other taxes	7,913	8,345
Current portion of deferred Federal income taxes	18,738	9,014
	287,028	389,905
Other Liabilities		
Capital lease obligations	10,743	3,188
Deferred Federal income taxes	63,150	87,669
Long–term derivative liabilities	——	2,031
Liabilities held for sale	951	4,119
Unamortized investment tax credits	3,948	4,387
Environmental remediation reserve	33,852	32,559
Regulatory and other liabilities	44,351	38,817
	156,995	172,770
Capitalization (See accompanying statements)		
Common shareholders' equity	288,252	274,727
Preferred stock	——	——
Long–term debt	309,017	308,989
	597,269	583,716
	$1,041,292	$1,146,391

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Consolidated Statement of Cash Flows

(Dollars in thousands)

	Years Ended September 30,		
	2002	2001 (Restated– see Note 2)	2000 (Restated– see Note 2)
Operating Activities			
Net income (loss)	$(15,888)	$16,313	$20,558
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	33,770	30,804	29,703
Deferred Federal income taxes	(14,610)	24,456	1,278
Non–cash adjustment to implement new accounting standard	27,142	——	——
Amortization of deferred investment tax credits	(439)	(438)	(426)
Derivative assets and liabilities	(3,821)	(12,715)	(7,488)
Regulatory assets and liabilities	27,013	10,897	6,153
Other	7,194	8,769	686
Effects of changes in:			
Accounts receivable, net	1,406	20,066	(16,912)
Fuel inventories	17,386	(18,776)	(8,788)
Accounts payable, deposits and accruals	(22,487)	7,068	19,655
Under–recovered purchased gas costs	(5,067)	(51,819)	(1,985)
Prepaids and other	23,758	(24,809)	1,191
Regulatory assets and liabilities	(21,524)	(5,272)	(1,228)
Federal and state income taxes	10,437	(20,616)	7,480
Other	(1,845)	(7,326)	(8,504)

Net cash provided by (used in) operating activities	62,425	(23,398)	41,373
Financing Activities			
Proceeds from sales of common stock, net of treasury stock purchased	34,592	578	1,314
Dividends to shareholders	(14,639)	(13,128)	(12,670)
Proceeds from issuance of long–term debt	—	60,000	—
Payments of long–term debt	(20,000)	—	—
Funds for construction held by trustee, net	8,868	17,198	11,016
Principal payments under capital lease obligations	(2,040)	(2,011)	(8,059)
Net short–term (repayments) borrowings	(54,069)	42,488	22,850
Net cash (used for) provided by financing activities	(47,288)	105,125	14,451
Investing Activities			
Cash expenditures for property, plant and equipment	(44,591)	(56,625)	(43,959)
Changes in assets and liabilities held for sale	29,560	2,085	(2,578)
Notes receivable from Virginia Gas	—	(13,000)	(7,000)
Acquisitions, net of cash acquired	(3,443)	(12,520)	(765)
Divestitures and other	4,983	(1,939)	(210)
Net cash used in investing activities	(13,491)	(81,999)	(54,512)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 1,646	$ (272)	$ 1,312
Cash and Cash Equivalents			
At beginning of period	$ 2,601	$ 2,873	$ 1,561
At end of period	$ 4,247	$ 2,601	$ 2,873
Supplemental Disclosures of Cash Flows			
Income taxes paid (refunds received), net	$ (3,713)	$ 2,333	$ 3,889
Interest paid	$22,477	$ 25,764	$ 21,481

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Consolidated Statement of Capitalization

(Dollars in thousands)

	September 30, 2002	2001 (Restated– see Note 2)
Long–Term Debt		
Gas facilities revenue bonds		
6.35 percent due October 1, 2022	$46,500	$46,500
6.40 percent due October 1, 2024*	20,000	20,000
Variable rate due June 1, 2026	39,000	39,000
5.70 percent due June 1, 2032	54,600	54,600
5.25 percent due November 1, 2033	40,000	40,000
Medium–term notes		
7.125 percent due August 1, 2002	—	20,000
8.35 percent due February 1, 2005	50,000	50,000
Senior notes		
6.60 percent due August 20, 2006	5,000	5,000
6.884 percent due August 20, 2008	15,000	15,000
6.884 percent due August 20, 2011	7,000	7,000
7.29 percent due August 20, 2011	33,000	33,000
	310,100	330,100
Current portion of long–term debt	—	(20,000)
Unamortized debt discount	(1,083)	(1,111)
	309,017	308,989
Preferred Stock, 5,000,000 shares authorized; none issued	—	—
Common Shareholders' Equity		
Common Stock, no par value; shares authorized: 30,000,000;	289,936	241,343
shares outstanding: 15,989,906 in 2002 and 13,755,038 in 2001		
Shares held in treasury: 179,201 in 2002 and 174,301 in 2001	(7,537)	(3,877)
Retained earnings	11,925	42,452
Unearned employee compensation	(4,949)	(4,291)
Accumulated other comprehensive loss	(1,123)	(900)
	288,252	274,727

Total Capitalization	$597,269	$583,716

* The total unexpended portions of the net proceeds from these bonds, amounting to $3.9 million and $12.6 million as of September 30, 2002, and 2001, respectively, are carried on the company's Consolidated Balance Sheet as Funds for Construction Held by Trustee, including interest earned thereon, until drawn upon for eligible construction expenditures.

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Consolidated Statement of Shareholders' Equity

(Dollars in thousands)

	Common Stock Shares Outstanding	Common Stock Paid-in Amount	Held in Treasury	Unearned Employee Compensation	Retained Earnings	Accumulated Other Comprehen-sive Loss	Total
Balance, September 30, 1999	12,750,270	$209,984	$ (2,311)	$ (1,735)	$ 31,380	$ (837)	$236,481
Comprehensive income:							
Net income					20,558		20,558
Minimum pension liability, net of taxes of $238						342	342
Comprehensive income							20,900
Common stock issued							
-Purchase of NUI Telecom	113,200	2,800					2,800
-Employee benefit plans*	99,995	3,311					3,311
Treasury stock transactions	19,061		65				65
Cash dividends					(12,671)		(12,671)
Unearned compensation				10			10
Balance, September 30, 2000**	12,982,526	$216,095	$ (2,246)	$ (1,725)	$ 39,267	$ (495)	$250,896
Comprehensive income:							
Net income					16,313		16,313
Minimum pension liability, net of taxes of $281						(405)	(405)
Comprehensive income							15,908
Common stock issued							
-Purchase of Virginia Gas	792,600	22,020					22,020
-Employee benefit plans*	51,055	3,228					3,228
Treasury stock transactions	(71,143)		(1,631)				(1,631)
Cash dividends					(13,128)		(13,128)
Unearned compensation				(2,566)			(2,566)
Balance, September 30, 2001**	13,755,038	$241,343	$ (3,877)	$ (4,291)	$ 42,452	$ (900)	$274,727
Comprehensive loss:							
Net loss					(15,888)		(15,888)
Minimum pension liability, net of taxes of $155						(223)	(223)
Comprehensive loss							(16,111)
Common stock issued							
-Acquisitions	407,823	8,275					8,275
- Equity offering	1,725,000	37,005					37,005
-Employee benefit plans*	106,945	3,313					3,313
Treasury stock transactions	(4,900)		(3,660)				(3,660)
Cash dividends					(14,639)		(14,639)

Unearned compensation				(658)			(658)
Balance, September 30, 2002	15,989,906	$289,936	$ (7,537)	$ (4,949)	$ 11,925	$(1,123)	$288,252

* Represents common stock issued in connection with NUI Direct and various employee benefit plans.

**– As Restated– See Note 2

See the notes to the consolidated financial statements.

NUI Corporation and Subsidiaries

Notes to the Consolidated Financial Statements (as Restated)

1. Summary of Significant Accounting Policies

Principles of Consolidation. The consolidated financial statements include all subsidiaries of NUI Corporation (collectively referred to as "NUI", the "company", "we", "our", or "us"). NUI is a diversified energy company that is primarily engaged in the sale and distribution of natural gas, energy commodity trading and portfolio management, retail energy sales and telecommunications. During fiscal 2002, NUI's utility operations served more than 385,000 customers in seven states along the eastern seaboard of the United States and comprise Elizabethtown Gas Company (New Jersey), City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania), Waverly Gas (New York) and Virginia Gas (see Note 3). Virginia Gas is also engaged in other activities, such as pipeline operation and natural gas storage. The company's non–regulated businesses include NUI Energy, Inc. (NUI Energy), an energy retailer; NUI Energy Brokers, Inc. (NUI Energy Brokers), a wholesale energy trading and portfolio management subsidiary; NUI Environmental Group, Inc. (NUI Environmental), an environmental project development subsidiary; Utility Business Services, Inc. (UBS), a geospatial and customer information systems and services subsidiary; NUI Telecom, Inc. (NUI Telecom), a telecommunications services subsidiary; and TIC Enterprises, LLC (TIC), a sales outsourcing subsidiary (see Note 4). All intercompany accounts and transactions have been eliminated in consolidation.

As discussed in Note 10, at September 30, 2002, the company has classified the results of North Carolina Gas, Valley Cities Gas, Waverly Gas, NUI Environmental, and certain product lines of TIC Enterprises as Discontinued Operations in the Consolidated Statement of Income. The assets and liabilities of these entities have been classified as Assets Held for Sale and Liabilities Held for Sale in the Consolidated Balance Sheet.

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation (see New Accounting Standards below and Note 2).

Use of Estimates. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Regulation.*NUI is a Holding Company and is exempt from registration under the Public Utility Holding Company Act of 1935. NUI's wholly owned subsidiary, NUI Utilities, Inc. is subject to regulation as an operating utility by the public utility commissions of the states in which it operates. Certain subsidiaries of NUI Virginia Gas are regulated by the Virginia State Corporation Commission.

Property, Plant and Equipment. Property, plant and equipment includes both utility plant and non–regulated assets. Utility plant is stated at its original cost. Depreciation is provided on a straight–line basis over the remaining estimated lives of depreciable property by applying rates as approved by the state commissions. The composite average annual depreciation rate was3percent in each of fiscal years 2002, 2001 and 2000. At the time properties are retired, the original cost plus the cost of retirement, less salvage, is charged to accumulated depreciation. Repairs of all utility plant and replacements and renewals of minor items of property are charged to maintenance expense as incurred. Non–regulated equipment consists primarily of information technology assets and furniture and fixtures. These assets are recorded at original cost and are depreciated on a straight–line basis over a period ranging from 3–10 years. The company accounts for its investments in computer software in accordance with Statement of Position 98–1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

The net unamortized plant acquisition adjustments represent the remaining portion of the excess of the purchase price over the book value of utility net assets acquired. The excess is being amortized on a straight–line basis over 30 years from the date of acquisition.

The results of operations of acquired entities have been included in the accompanying consolidated financial statements for the periods subsequent to their acquisition.

Operating Revenues and Purchased Gas and Fuel Costs. Operating revenues include accrued unbilled revenues through the end of each accounting period. Operating revenues also reflect adjustments attributable to weather normalization clauses that are accrued during the winter heating season and billed or credited to customers in the following year.

Costs of purchased gas and fuel for the company's regulated utilities are recognized as expenses in accordance with the purchased gas adjustment clause applicable in each state. Such clauses provide for periodic reconciliations of actual recoverable gas costs and the estimated amounts that have been billed to customers. Under– or over–recoveries are deferred when they arise and are recovered from or refunded to customers in subsequent periods.

The company's subsidiaries, NUI Energy Brokers and NUI Energy, mark–to–market through the income statement all trading positions, including forward sales and purchase commitments. (See Note 17 for a further description of the company's use of derivative financial instruments.)

Environmental Reserve. The company, with the aid of environmental consultants, regularly assesses the potential future costs associated with conducting investigative activities at each of the company's sites and implementing appropriate remedial actions, as well as the likelihood of whether such actions will be necessary. The company records a reserve if it is probable that a liability will be incurred and the amount of the liability can be reasonably estimated.

Stock Compensation. The company follows the accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), and related interpretations in accounting for its employee stock–based compensation. Under APB 25, the Company recognizes no compensation expense related to employee stock options, since the options were granted at a price equal to the market price on the day of the grant. The company has elected to adopt the disclosure–only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock–Based Compensation" (SFAS 123). See Note 14 for additional information on the company's stock option plans and pro forma disclosures required by SFAS 123.

Income Taxes. The company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires the liability method to be used to account for deferred income taxes. Under this method, deferred income taxes related to tax and accounting basis differences are recognized at the statutory income tax rates in effect when the tax is expected to be paid.

Investment tax credits, which were generated principally in connection with additions to utility plant made prior to January 1, 1986, are being amortized over the estimated service lives of the properties that gave rise to the credits.

Regulatory Assets and Liabilities. The company's utility operations follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). In general, SFAS 71 requires deferral of certain costs and obligations, based upon orders received from regulators, to be recovered from or refunded to customers in future periods. The following represents the company's regulatory assets and liabilities deferred in the accompanying consolidated balance sheet as of September 30, 2002 and 2001 (in thousands):

	2002	2001
Regulatory Assets		
Environmental investigation and remediation costs	$36,425	$34,888
Post–retirement and other employee benefits	6,783	7,553
Deferred piping allowances	712	996
Utility hedging derivatives	——	12,487
Other	6,140	4,602
Under–recovered gas costs	25,785	45,200
	$75,845	$105,726
Regulatory Liabilities		
Net over–collection of income taxes	$4,644	$4,530
Utility hedging derivatives	5,565	——
Market development fund	2,083	1,988
Other	885	(57)
	$13,177	$6,461

Substantially all of these regulatory assets and liabilities have been authorized by state regulators to be recovered in rates. In New Jersey, environmental investigation and remediation costs are recovered through a Remediation Adjustment Clause (see Note 21) and include the carrying costs on unrecovered amounts not currently in rates. In the event that the provisions of SFAS 71 were no longer applicable, the company would recognize a write–off of net regulatory assets (regulatory assets less regulatory liabilities) that would result in a charge to net income, which would be classified as an extraordinary item. However, although the gas distribution industry is becoming increasingly competitive, the company's utility operations continue to recover their costs through cost–based rates established by the public utility commissions. As a result, the company believes that the accounting prescribed under SFAS 71 remains appropriate.

Cash Equivalents. Cash equivalents consist of a money market account that invests in securities with original maturities of three months or less.

Goodwill. The excess of the cost over the fair value of net assets of acquired businesses is recorded as goodwill. On October 1, 2001, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets" (SFAS 142). See Note 8 for further discussion of the company's goodwill.

Net Income Per Share of Common Stock. Basic net income per share is computed by dividing net income by the weighted–average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock options.

New Accounting Standards. During fiscal 2001, the company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 was issued in June 1998 and establishes accounting and reporting standards regarding derivative instruments. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value as either an asset or liability, and that changes in the fair value be recognized currently in earnings unless certain criteria are met. The adoption of SFAS 133 did not have a material impact on the Company's financial position or net income.

During fiscal 2001, the company adopted Statement of Financial Accounting Standards No. 141, "Business Combinations" (SFAS 141). SFAS 141 applies to business combinations occurring after June 30, 2001 and requires that the purchase method of accounting be used and includes guidance on the initial recognition and measurement of goodwill and other intangible assets (see Notes 3, 4, 5, 6, 8, and 9).

During fiscal 2002, the company adopted Statement of Financial Accounting Standards No. 144, "Accounting for Impairment and Disposal of Long–lived Assets" (SFAS 144). SFAS 144 supersedes SFAS 121 and the provisions of APB Opinion No. 30, "Reporting the Results of Operations– Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" with regard to reporting the effects of a disposal of a segment of a business. SFAS 144 establishes a single accounting model for assets to be disposed of by sale and addresses several SFAS 121 implementation issues. As a result of the adoption of this standard, the company has classified the operating results of subsidiaries to be disposed of as "Discontinued Operations" in the Consolidated Statements of Income; assets and liabilities of these subsidiaries as "Held for Sale" in the Consolidated Balance Sheets; and "Changes in Assets and Liabilities Held for Sale" in the Consolidated Statement of Cash Flows. See further discussion of the subsidiaries being disposed of in Note 10.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). This statement establishes accounting standards for recognition and measurement of liabilities for asset retirement obligations and the associated asset retirement costs. The company adopted this statement on October 1, 2002, which adjustment was immaterial to the results of operations and financial condition.

In June 2002, the Emerging Issues Task Force (EITF) issued EITF 02–03, "Issues Involved in Accounting for Contracts Under Issue 98–10," (EITF 02–03). The purpose of EITF 02–03 is to address certain issues related to energy trading activities, including (a) gross versus net presentation in the income statement, (b) whether the initial fair value of an energy trading contract can be other than the price at which it was exchanged (i.e., whether there is any profit at inception), and (c) additional disclosure requirements for energy trading activities. On October 25, 2002, the EITF reached a consensus on EITF 02–03 that changes the accounting for certain energy contracts. The main provisions of Issue 02–03 are as follows:

– The EITF rescinded EITF Issue 98–10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 98–10), which is the authoritative accounting currently followed by NUI Energy Brokers and NUI Energy. Pursuant to EITF 98–10, an entity accounted for energy contracts at fair value with changes in fair value recognized in earnings if the energy contract was determined to be part of an entity's trading activities. As a result, this new consensus prohibits mark–to–market accounting for energy–related contracts that do not meet the definition of a derivative under SFAS 133. Any contracts subject to the consensus must be accounted for on the accrual basis upon application of the consensus.

– The consensus applies immediately to non–derivative energy–related contracts executed after October 25, 2002.

– The consensus applies to existing non–derivative energy–related contracts for fiscal periods beginning after December 15, 2002 (January 1, 2003 for NUI) and the cumulative effect of a change in accounting principle must be reported upon initial application.

– The EITF minutes on Issue 02–03 indicate that an entity should not record unrealized gains or losses at the inception of derivative contracts unless the fair value of each contract in its entirety is evidenced by quoted market prices or other current market transactions for contracts with similar terms and counterparties.

– The EITF reaffirmed its June consensus requiring gains and losses on derivative energy trading contracts (whether realized or unrealized) to be reported as revenue on a net basis in the income statement.

The EITF deliberations and consensus on EITF 02–03 will not affect the company's cash flows. Additionally, the company must continue to mark all energy–related contracts to market based on EITF 98–10 during the first quarter of fiscal 2003 prior to applying the new consensus. However, the consensus requires NUI to record a non–cash, cumulative effect adjustment to convert any contracts that do not meet the definition of a derivative under SFAS 133 to accrual accounting effective January 1, 2003. The company has not finalized the identification of the individual contracts to which the consensus applies, and the level of market prices at the date of application will affect the amount of the required cumulative effect adjustment we must record at that time. As a result, we cannot predict the impact of initially applying the consensus to existing contracts, but the non–cash, one–time cumulative effect adjustment required under Issue 02–03 is expected to be material to "Net income" and "Derivative assets and liabilities."

The primary contracts that we expect will be affected as a result of applying the new consensus are our full requirements natural gas sales contracts associated with NUI Energy and a large natural gas storage contract within NUI Energy Brokers. Until we complete our review of all contracts, we cannot predict the impact of applying the new provisions going forward. However, it is expected that the vast majority of NUI Energy Brokers' contracts will be considered a derivative under SFAS 133 and continue to be marked–to–market through earnings.

Additionally, in accordance with one of the provisions of EITF 02–03, the company has recorded the margins earned under the accounting guidance of EITF 98–10 by both NUI Energy Brokers and NUI Energy on a net basis. In previous periods, both NUI Energy Brokers and NUI Energy included both the cost of the purchased gas and the operating margin earned for all physical transactions within operating revenues on the Consolidated Statement of Income. For financial trades such as futures, options and swap transactions, NUI Energy Brokers and Energy has historically recorded only the operating margin component, but within the purchased gas and fuel line item on the Consolidated Income Statement. The adoption to net–basis reporting has no effect on these transactions or cash flows other than to reclassify and present total margins earned within the operating revenues line item on the Consolidated Statement of Income. In accordance with the EITF, all prior periods have been reclassified to conform to this presentation. As a result of net–basis reporting, NUI reduced operating revenues and purchased gas and fuel line items by $425.8 million, $578.7 million and $456.4 million, in fiscal 2002, 2001 and 2000, respectively, with no changes to total operating margins.

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). This statement is effective for exit or disposal activities initiated after December 31, 2002. The company does not expect the adoption of this statement to have a material impact on its financial position or net income.

2. Restatement of Prior Year Results

NUI has restated its fiscal 2000 and 2001 consolidated financial statements, as well as quarterly results for the first three quarters of fiscal 2002. The consolidated financial statements as of and for the fiscal years ended September 30, 2001 and 2000 contained herein have been updated to reflect these restatements, as well as certain reclassifications described below. The restatement adjustments were required either to reflect the use of appropriate accounting methods or to reflect the correct recording of account balances. The following tables summarize the impact of these adjustments on the company's consolidated financial statements, as restated. Amounts contained in the " Results As Reclassified for EITF 02–03 and SFAS 144" include the amounts as originally reported and the required reclassifications due to the adoption of SFAS 144 (see Note 10) and the netting provision of EITF 02–03 (see Note 1). In addition, the adjustments contained in the fiscal 2001 consolidated balance sheet table below reflect the cumulative adjustments for both fiscal 2000 and 2001, both of which impact the originally reported consolidated balance sheet.

NUI Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)

	2001 Results As Reclassified for EITF 02–03 and SFAS 144	Adjustments	Legend	2001 As Restated
Operating Margins				
Operating revenues	$662,214	$(2,348)	a, b	$659,866
Less– Purchased gas and fuel	422,104	(215)	c	421,889
Cost of sales and services	20,029	—		20,029
Energy taxes	12,918	—		12,918
	207,163	(2,133)		205,030

Other Operating Expenses			d, e, f, g, h, i	
Operations and maintenance	104,175	440		104,615
Depreciation and amortization	26,463	—		26,463
Taxes, other than income taxes	7,274	—		7,274
Total operating expenses	137,912	440		138,352
Operating Income	69,251	(2,573)		66,678
Other Income and Expense, net	1,467	—		1,467
Income from Continuing Operations before Interest and Taxes	70,718	(2,573)		68,145
Interest expense	22,473	(350)	j	22,123
Income from Continuing Operations before Income Taxes	48,245	(2,223)		46,022
Income taxes	19,556	(890)	k	18,666
Income from Continuing Operations before Effect of Change in Accounting	28,689	(1,333)		27,356
Discontinued Operations			l, m, n, o, p	
Loss from discontinued operations	(9,532)	(8,193)		(17,725)
Income tax benefit	(3,517)	(3,165)	k	(6,682)
Loss from Discontinued Operations	(6,015)	(5,028)		(11,043)
Net Income (Loss)	$22,674	$(6,361)		$16,313
Net Income (Loss) Per Share of Common Stock	$1.70	$(0.48)		$1.22

See Legend descriptions below.

NUI Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in thousands)

	2001 As Reclassified for SFAS 144	Adjustments	Legend	2001 As Restated
ASSETS				
Current Assets				
Cash and cash equivalents	$3,274	$(673)	q	$2,601
Accounts receivable (less allowance for doubtful accounts of $3,875)	95,675	(12,790)	a, r	82,885
Fuel inventories, at average cost	54,776	—		54,776
Unrecovered purchased gas costs	10,096	(281)	b	9,815
Derivative assets	28,144	(9,511)	c, w	18,634
Federal income tax receivable	17,077	—		17,077
Prepayments and other	86,182	(28,694)	g, o, s, v	57,487
	295,224	(51,949)		243,275
Property, Plant and Equipment				
Property, plant, and equipment, at original cost	896,790	(5,910)	x	890,880
Accumulated depreciation and amortization	(285,463)	—		(285,463)
Unamortized plant acquisition adjustments, net	23,155	—		23,155
	634,482	(5,910)		628,572
Funds for Construction Held by Trustee	12,570	—		12,570

Other Investments	5,095	——		5,095
Assets Held for Sale	51,551	(3,584)	p	47,967
Other Assets				
Regulatory assets	105,726	——		105,726
Long–term derivative assets	——	9,077	w	9,077
Goodwill, net of accumulated amortization	48,794	715	l, n, x	49,509
Other assets	19,233	25,367	i, m, s	44,600
	173,753	35,159		208,912
	$1,172,675	$(26,284)		$1,146,391
CAPITALIZATION AND LIABILITIES				
Current Liabilities				
Notes payable to banks	$184,610	$——		$184,610
Notes payable	3,000	——		3,000
Current portion of long–term debt and capital lease obligations	21,944	——		21,944
Accounts payable, customer deposits and accrued liabilities	153,212	(8,183)	h, r, v, x	145,029
Derivative liabilities	19,994	(2,031)	w	17,963
State income and other taxes	8,189	156	u	8,345
Current portion of deferred Federal income taxes	——	9,014	y	9,014
	390,949	(1,044)		389,905
Other Liabilities				
Capital lease obligations	3,188	——		3,188
Deferred Federal income taxes	105,239	(17,570)	k, y	87,669
Long–term derivative liabilities	——	2,031	w	2,031
Liabilities held for sale	4,119	——		4,119
Unamortized investment tax credits	4,387	——		4,387
Environmental remediation reserve	32,559	——		32,559
Regulatory and other liabilities	34,100	4,717	d, f, h, t, u	38,817
	183,592	(10,822)		172,770
Capitalization				
Common shareholders' equity	289,145	(14,418)	e, t, u	274,727
Long–term debt	308,989	——		308,989
	598,134	(14,418)		583,716
	$1,172,675	$(26,284)		$1,146,391

See Legend descriptions below.

NUI Corporation and Subsidiaries

Consolidated Statement of Income

(Dollars in thousands, except per share amounts)

2000

	Results As Reclassified for EITF 02–03 and SFAS 144	Adjustments	Legend	2000 As Restated
Operating Margins				
Operating revenues	$498,805	$(61)	b	$498,744
Less– Purchased gas and fuel	289,409	650	c	290,059
Cost of sales and services	14,574	——		14,574
Energy taxes	11,571	——		11,571
	183,251	(711)		182,540
Other Operating Expenses			d, e, f, h, i, q	
Operations and maintenance	90,308	6,513		96,821
Depreciation and amortization	27,815	——		27,815

Taxes, other than income taxes	7,212	—		7,212
Total operating expenses	125,335	6,513		131,848
Operating Income	57,916	(7,224)		50,692
Other Income and Expense, net	2,989	—		2,989
Income from Continuing Operations before Interest and Taxes	60,905	(7,224)		53,681
Interest expense	18,332	350	j	18,682
Income from Continuing Operations before Income Taxes	42,573	(7,574)		34,999
Income taxes	17,211	(2,855)	k	14,356
Income from Continuing Operations before Effect of Change in Accounting	25,362	(4,719)		20,643
Discontinued Operations				
Loss from discontinued operations	2,320	(2,492)	p	(172)
Income tax benefit	935	(1,022)	k	(87)
Loss from Discontinued Operations	1,385	(1,470)		(85)
Net Income (Loss)	$26,747	$(6,189)		$20,558
Net Income (Loss) Per Share of Common Stock	$2.07	$(0.48)		$1.59

See Legend descriptions below.

NUI Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in thousands)

	2000 As Reclassified for SFAS 144	Adjustments	Legend	2000 As Restated
ASSETS				
Current Assets				
Cash and cash equivalents	$3,546	$(673)	q	$2,873
Accounts receivable (less allowance for doubtful accounts	106,807	(4,442)		102,365
of $1,383)			r	
Notes receivable	7,000	—		7,000
Fuel inventories, at average cost	36,000	—		36,000
Unrecovered purchased gas costs	3,257	(61)	b	3,196
Derivative assets	8,138	(650)	c	7,488
Prepayments and other	51,535	(23,390)	s, v	28,145
	216,283	(29,216)		187,067
Property, Plant and Equipment				
Property, plant, and equipment, at original cost	781,608	—		781,608
Accumulated depreciation and amortization	(266,317)	—		(266,317)
Unamortized plant acquisition adjustments, net	24,414	—		24,414
	539,705	—		539,705
Funds for Construction Held by Trustee	28,706	(350)	j	28,356
Investment in TIC Enterprises, LLC, net	26,225			26,225
Other Investments	1,146	—		1,146

Assets Held for Sale	44,232	(2,492)	p	41,740
Other Assets				
Regulatory assets	49,814	——		49,814
Goodwill, net of accumulated amortization	4,239	——		4,239
Other assets	10,494	22,482	i, s, t	32,976
	64,547	22,482		87,029
	$920,844	$(9,576)		$911,268
CAPITALIZATION AND LIABILITIES				
Current Liabilities				
Notes payable to banks	$96,700	$——		$96,700
Current portion of long–term debt and capital lease obligations	1,862	——		1,862
Accounts payable, customer deposits and accrued liabilities	130,378	(2,582)	h, r, v	127,796
Federal income and other taxes	11,884	——		11,884
Current portion of deferred Federal income taxes	——	224	k ,y	224
	240,824	(2,358)		238,466
Other Liabilities				
Capital lease obligations	4,191	——		4,191
Deferred Federal income taxes	75,249	(4,445)	k ,y	70,804
Liabilities held for sale	5,441	——		5,441
Unamortized investment tax credits	4,825	——		4,825
Environmental remediation reserve	32,731	——		32,731
Regulatory and other liabilities	31,666	3,301	d, f, h, t	34,967
	154,103	(1,144)		152,959
Capitalization				
Common shareholders' equity	256,970	(6,074)	e, t	250,896
Long–term debt	268,947	——		268,947
	525,917	(6,074)		519,843
	$920,844	$(9,576)		$911,268

Restatement Adjustment Legend (dollars in thousands):

a. Recorded an adjustment to decrease accounts receivable and operating revenues of $2,128 in fiscal 2001 in order to adjust the accounts receivable balance to equal the accounts receivable subledger.

b. Recorded an adjustment to decrease revenues of $220 in fiscal 2001 and $61 in fiscal 2000 in order to adjust the unrecovered gas costs balance to equal the underlying gas costs detail.

c. Recorded an adjustment to increase purchased gas and fuel in fiscal 2000 by $650 and to decrease purchased gas and fuel in fiscal 2001 by $215 to record margin as earned on an NUI Energy Solutions, Inc. service contract. Previously, the company recognized the expected gross margin on this long–term service contract at inception.

d. Recorded an adjustment of $170 and $415 in fiscal 2000 and 2001, respectively, to record rental expense for an operating lease on a straight–line basis. Previously, the company had recognized rent expense as paid on a lease that contains escalating payments.

e. Recorded an adjustment of $611 and $53 in fiscal 2000 and 2001, respectively, to record previously unrecorded compensation expense related to an employee stock purchase plan for all eligible employees.

f. Recorded an adjustment of $500 and $100 in fiscal 2000 and 2001, respectively, in order to agree insurance and legal reserves to supporting detail available.

g. Recorded an adjustment of $333 in fiscal 2001 to adjust material and supplies inventory balance to the results of taking a physical inventory.

h. Recorded adjustments to increase post–retirement benefit reserves by $3,084 in fiscal 2000 and decrease by $1,121 in fiscal 2001 to reflect actuarially determined liabilities available at the date of the financial statements.

i. Recorded an adjustment to expense certain previously deferred start–up costs related to various business projects of $1,475 and $660 in fiscal 2000 and 2001, respectively.

j. Recorded an adjustment to decrease interest income on construction funds by $350 in fiscal 2000 and increase by $350 in fiscal 2001 to reflect the appropriate timing of interest income.

k. Represents the income tax effects of all adjustments

l. Recorded an adjustment to recognize additional equity losses of TIC in fiscal 2001 of $1,730. Previously, the company had not recorded their share of equity losses through the date of the acquisition of the remaining 51 percent of TIC on May 15, 2001.

m. Recorded an adjustment to expense $697 in fiscal 2001 of certain costs that had been previously deferred related to pending utility asset sales.

n. Recorded an adjustment to appropriately expense $3,988 of costs that previously were capitalized as goodwill in the purchase accounting for TIC in fiscal 2001.

o. Recorded an adjustment to decrease revenue by $686 in fiscal 2001 to appropriately recognize revenue on certain TIC equipment sales, which were previously recognized prior to the completion of required installation obligations.

p. Recorded an adjustment to expense previously deferred development costs related to NUI Environmental projects of $2,492 and $1,092 in fiscal 2000 and 2001, respectively.

q. Recorded an adjustment to decrease cash balance by $673 in fiscal 2000 in order to adjust cash balance to equal the supporting detail.

r. Balance Sheet reclassification of credit balances from accounts receivable to accounts payable and elimination of intercompany accounts totaling $4,442 and $10,661 in fiscal 2000 and 2001, respectively to appropriately record accounts receivable and accounts payable.

s. Balance Sheet reclassification of pension assets of $23,735 and $28,116 in fiscal 2000 and 2001, respectively, to appropriately record current and non–current assets.

t. Recorded a balance sheet adjustment to recognize an additional pension minimum obligation for the company's supplemental employee retirement plan of $1,061 and $1,608 in fiscal 2000 and fiscal 2001, respectively, with offsetting amounts to intangible assets ($222 and $83 in fiscal 2000 and 2001) and other comprehensive income ($839 and $1,525 in fiscal 2000 and 2001) in accordance with SFAS 87 and the actuarial valuation report available at the date of the consolidated financial statements.

u. Recorded a balance sheet adjustment in fiscal 2001 to appropriately recognize treasury stock transactions associated with the company's deferred compensation plan. The adjustment increased treasury stock by $1,631, deferred compensation liability of $1,475 and associated employee tax withholdings liability of $156.

v. Balance Sheet reclassification of a prepaid asset from accrued liabilities to prepayments and other of $345 and $441 in fiscal 2000 and fiscal 2001, respectively.

w. Balance Sheet reclassification of derivative assets and liabilities of from current to long–term for those amounts greater than one year.

x. Balance Sheet reclassification of $6,433 of net assets, of which $5,909 related to property, plant and equipment and $524 related to accrued liabilities to goodwill to appropriately record the fair value of net assets acquired upon the acquisition of Virginia Gas and TIC in 2001.

y. Balance Sheet reclassification of $9,014 in 2001 and $2,552 in 2000 of the current portion of deferred Federal income taxes from long–term liabilities for those amounts due within one year.

3. Purchase of Virginia Gas Company

On March 28, 2001, the company completed its acquisition of Virginia Gas Company (VGC). The acquisition was treated as a merger whereby VGC became a wholly owned subsidiary of NUI. The purchase price totaled $29 million and included the issuance of 792,600 shares of NUI common stock, with the remainder paid in cash. VGC is a natural gas storage, pipeline, and distribution company, which operates in a region of the nation that has experienced a rapidly growing demand for natural gas and power generation.

The acquisition was accounted for as a purchase. The excess of the purchase price over the fair value of the net assets of VGC was approximately $8.1 million. Until October 1, 2001, this goodwill was being amortized on a straight–line basis over a 30–year period (see Note 8).

At the time VGC was acquired, it had two 50 percent owned subsidiaries, Virginia Gas Storage Company (VGSC) and Virginia Gas Distribution Company (VGDC). On October 4, 2001, the company completed its acquisition of the remaining 50 percent interests in VGSC and VGDC from the two individuals that each owned 25 percent of the stock of both companies. Under terms of the

agreements entered into with those two individuals in June 2001, the company paid each owner $750,000 and issued to each owner 72,324 shares of NUI Common Stock in exchange for the owner's stock in both VGSC and VGDC. The acquisition was accounted for as a purchase. The fair value of the net assets was equal to the purchase price.

On October 11, 2001, the company sold the capital stock of Virginia Gas Propane Company, a subsidiary of VGC, to Heritage Holdings, Inc. The sales price was approximately $3.8 million.

On March 1, 2002, the company sold the capital stock of Virginia Gas Exploration Company and Virginia Gas Marketing, subsidiaries of VGC, to Appalachian Energy, Inc. The sales price was approximately $0.8 million.

4. Acquisition of TIC Enterprises, LLC

Since 1997, the company held a 49 percent equity interest in TIC Enterprises, LLC (TIC). On May 15, 2001, the company acquired the remaining 51 percent of TIC it did not previously own. NUI paid the majority owner $5 million in cash and a $3 million note payable (see Note 7) and assumed the outstanding debt of TIC. The acquisition was accounted for as a purchase. The excess of the aggregate purchase price paid by NUI for this additional 51 percent interest in TIC over the fair value of the net assets acquired was approximately $17.7 million, which added to the unamortized goodwill of $16.4 million from the initial purchase and was being amortized on a straight-line basis over a 25-year period through October 1, 2001 (see Note 8). In connection with the acquisition, the company recorded a $1.5 million liability for involuntary separations and restructuring costs which was subsequently paid during fiscal 2001.

In March 2002, the company approved a plan to sell TIC. Subsequently, the company decided to retain the network services and wireless product lines (see Note 10).

5. Acquisition of Norcom, Inc.

On March 22, 2002, the company entered into an agreement to acquire certain assets of Norcom, Inc. (Norcom), including 4,000 customer accounts. The agreement provided for NUI Telecom to assume management control of Norcom as of March 1, 2002. Norcom contributed $8.3 million of operating revenues and $0.6 million of operating income from that date through September 30, 2002. Norcom is a provider of telecommunications services in the Northeast and Southeast regions of the United States and its customer accounts will be combined with the company's NUI Telecom subsidiary.

On August 28, 2002, the company completed the transaction, subject to post-closing adjustments. The purchase price totaled approximately $4.2 million and included the issuance of 216,039 shares of NUI common stock.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (amounts in thousands).

Cash	$ 653
Accounts receivable	1,166
Equipment	7
Intangible assets	2,160
Goodwill	2,242
Total assets acquired	6,228
Current liabilities	2,048
Total liabilities assumed	2,048
Net assets acquired	$4,180

The acquired intangible assets relate to customer relationships, which will be amortized over a 7-year period (see Note 9).

6. Acquisition of Telcorp, Inc.

On May 31, 2002, the company entered into an agreement to acquire certain assets of Telcorp, Ltd. (Telcorp). In addition, the company entered into a letter agreement with Telcorp, which provides that NUI Telecom assumed management control of the business effective April 1, 2002. Telcorp contributed $3.4 million of operating revenues and $1.4 million of operating income from that date through September 30, 2002.

On September 1, 2002, the company completed its acquisition of Telcorp, subject to post-closing adjustments. The purchase price totaled approximately $3.4 million.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (amounts in thousands).

Accounts Receivable	$ 832

Equipment	10
Intangible assets	3,060
Goodwill	361
Total assets acquired	4,263
Current liabilities	832
Total liabilities assumed	832
Net assets acquired	$3,431

The acquired intangible assets relate to customer relationships, which will be amortized over a 10–year period (see Note 9).

7. Note Payable

Under terms of an LLC Interest Purchase Agreement dated May 8, 2001, notes payable represents amounts owed to the former 51 percent owner of TIC Enterprises, LLC under a convertible subordinated unsecured promissory note by TIC issued in conjunction with the company's acquisition of the remaining equity interest of TIC on May 15, 2001. The note, which bears interest at 7 percent per annum, was payable on the maturity date of January 2, 2002.

On January 11, 2002, TIC notified the former owner that it has offsetting claims against the note obligation under the LLC Interest Purchase Agreement.

On April 4, 2002, the former owner of TIC filed suit against NUI and TIC to collect on the note. The company is vigorously defending this claim against the former owner and is unable to assess the outcome of the litigation at this time. Management believes that the impact of this litigation would not have a material negative impact on NUI, as the full amount of the original note payable is recorded on the Consolidated Balance Sheet at September 30, 2002.

8. Goodwill

The excess of the cost over the fair value of net assets of acquired businesses is recorded as goodwill. On October 1, 2001, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets" (SFAS 142). The carrying value of goodwill for each of the company's subsidiaries is no longer subject to amortization, but must be tested for impairment annually or earlier under certain circumstances.Implementation of this accounting pronouncement required the company to perform a fair value assessment to determine if the fair value of its subsidiaries with goodwill exceeded their carrying amounts. The company has completed its fair value assessment of the subsidiaries that meet the requirements of SFAS 142. Using the present value of expected future cash flows to determine the fair value of TIC, the company recognized a transitional goodwill impairment loss of approximately $27.1 million related to the carrying value of the goodwill for its TIC subsidiary. A goodwill impairment adjustment for the fair market valuations of NUI Telecom and VGC was not necessary.

In conjunction with the adoption of SFAS 142, the company identified $2.2 million of intangible assets from its acquisition of Virginia Gas, which had been originally recorded as goodwill. These intangible assets relate to the development rights of the property acquired in March 2001, and will be amortized over a 30–year period (see Note 9).

The changes in the carrying amount of goodwill (net of amortization) for the year ended September 30, 2002, are as follows (in thousands):

	NUI Telecom	NUI Virginia Gas	TIC Enterprises	Total
Balance as of September 30, 2001	$4,982	$10,256	$34,271	$49,509
Reclassification to intangible assets	—	(2,200)	(159)	(2,359)
Additional goodwill during the period	2,603	—	—	2,603
Transitional impairment loss	—	—	(27,142)	(27,142)
Amounts written–off	—	—	(3,485)	(3,485)
Balance as of September 30, 2002	$7,585	$8,056	$3,485	$19,126

The following table sets forth the effect of SFAS 142 for the fiscal years ended September 30 (in thousands, except per share amounts):

	2002	2001	2000
Reported net income (loss)	$(15,888)	$16,313	$20,558
Add back: Transitional impairment loss (net of tax)	17,642	—	—
Add back: Goodwill amortization	—	1,795	1,069
Adjusted net income	$ 1,754	$18,108	$21,627
Basic Earnings per Share:			
Reported net income (loss)	$(1.06)	$1.22	$1.59
Transitional impairment loss	1.18	—	—
Goodwill amortization	—	0.13	0.08

Adjusted net income	$ 0.12	$1.35	$1.67

9. Acquired Intangible Assets

As discussed in Notes 5, 6, and 8, the company has acquired intangible assets, which are included in Other Assets on the Consolidated Balance Sheet at September 30, 2002 (in thousands):

	Gross Carrying Amount	Accumulated Amortization
Development rights	$2,200	$(73)
Customer relationships	5,220	----
Total	$7,420	$(73)

The aggregateamortization for the year ended September 30, 2002, was $73,333. Estimated annual amortization is expected to be approximately $688,000 for each fiscal year through September 30, 2007.

10. Discontinued Operations

The company has adopted the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long–Lived Assets" (SFAS 144). This statement excludes from the definition of long–lived assets goodwill and other intangibles that are not amortized in accordance with SFAS 142. SFAS 144 requires that long–lived assets to be disposed of by sale be measured at the lower of their carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS 144 also expands the reporting of discontinued operations to include components of an entity that have been or will be disposed of rather than limiting such discontinuance to a segment of a business. Accordingly, the revenues, costs and expenses, assets, liabilities, and cash flows of the entities NUI is holding for sale have been segregated and reported as discontinued operations for all periods presented.

On October 5, 2000, the company agreed to sell the assets of its Valley Cities Gas and Waverly Gas utility operations (VCW) to C&T Enterprises, Inc. (C&T), of Pennsylvania for $15 million. The transaction closed on November 7, 2002, after all regulatory approvals were obtained. VCW generated operating revenues of $9.2 million, $11.8 million, and $9.1 million for the fiscal years ended September 30, 2002, 2001, and 2000, respectively. VCW had assets of $15.9 million and liabilities of $0.9 million that have been classified as held for sale as of September 30, 2002.

On May 15, 2002, the company agreed to sell the assets of its North Carolina Gas utility operation (NC) to Piedmont Natural Gas of North Carolina for approximately $26 million. The transaction closed on September 30, 2002, after all regulatory approvals had been obtained. NC generated operating revenues of $13.9 million, $23.0 million, and $19.6 million for the fiscal years ended September 30, 2002, 2001, and 2000, respectively.

In March 2002, the company approved a plan to sell its TIC Enterprises subsidiary, at which time the company began to actively seek a buyer. During the third quarter of fiscal 2002, TIC continued to incur operating losses primarily as a result of the economy, the marketplace for telephone equipment and various operational issues with the United States Postal Service (USPS) product lines. In June 2002, the company decided to retain TIC's profitable wireless and network service product lines and continued to seek a buyer for the telephone equipment and USPS product lines. In accordance with SFAS 144, during June 2002, the net assets of the wireless and network services product lines were reclassified back to assets held and used, and are now under the management of NUI Telecom.

The company did not receive any acceptable offers for the remaining product lines of TIC, and NUI announced on July 16, 2002, that it has ceased the operations of its telephone equipment and USPS product lines, and TIC has notified the USPS accordingly. TIC's discontinued product lines generated operating revenues of $7.2 million and $8.2 million for the fiscal years ended September 30, 2002, and 2001, respectively. In addition, NUI recognized a charge of approximately $8.0 million to write–down the net assets of these two product lines to their fair value. This charge included the write–off of approximately $3.5 million of goodwill allocated to these product lines. The net assets of the remaining two product lines are included in assets held and used at September 30, 2002.

Prior to the acquisition of TIC on May 15, 2001, the company recorded a pre–tax equity loss of $11.7 million during the year ended September 30, 2001, and pre–tax equity income of $1.3 million during the year ended September 30, 2000. These amounts have been included in discontinued operations for the periods presented.

During September 2002, the company approved a plan to sell its NUI Environmental subsidiary, at which time the company began to actively seek a buyer. NUI Environmental has not generated operating revenues as of yet, and incurred operating losses of $2.0 million, $1.3 million, and $2.7 million for the fiscal years ended September 30, 2002, 2001, and 2000, respectively.

11. Restructuring Charges

In December 2001, the company commenced a reorganization effort that resulted in workforce reductions. The reorganization efforts resulted in accounting charges of approximately $1.2 million, primarily relating to severance costs. The company has paid approximately $0.9 million of severance costs through September 30, 2002 and expects the remaining accrual of $0.3 million related to this charge to be paid out by December 31, 2002.

12. Earnings per Share

The following table summarizes the company's basic and diluted earnings per share calculations for the fiscal years ended September 30 (amounts are in thousands, except per share amounts):

	2002	2001	2000
Income from continuing operations	$16,159	$27,356	$20,643
Income (loss) from discontinued operations	(14,405)	(11,043)	(85)
Effect of change in accounting	(17,642)	----	----
Net income (loss)	$(15,888)	$16,313	$20,558
Weighted Average Shares Outstanding	14,938	13,356	12,929
Earnings (loss) per Share:			
Income (loss) from continuing operations	$ 1.08	$2.05	$1.60
Loss from discontinued operations	(0.96)	(0.83)	(0.01)
Effect of change in accounting	(1.18)	----	----
Net income (loss)	$(1.06)	$1.22	$1.59

The company does not have dilutive shares as of September 30th for the periods presented.

13. Capitalization

Long–Term Debt. On August 20, 2001, the company issued $60 million of Senior notes with interest rates ranging from 6.60 percent to 7.29 percent. The proceeds were used to repay short–term indebtedness, which was used in part to acquire NUI Virginia Gas and TIC.

The company deposits in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of September 30, 2002, and September 30, 2001, the total unexpended portions of all of the company's Gas Facilities Revenue Bonds were $3.9 million and $12.6 million, respectively, and are classified on the company's consolidated balance sheet, including interest earned thereon, as funds for construction held by trustee. These trust funds are primarily invested in cash equivalents and U.S. Government securities.

The variable rate Gas Facilities Revenue Bonds due June 1, 2026 contain a provision whereby the holder can "put" the bonds back to the issuer. Accordingly, the company has executed a long–term standby Bond Repurchase Agreement with a syndicate of three banks whereby the three banks would repurchase the bonds should such a contingency occur.

The company repaid $20 million of Medium–Term Notes in August 2002. This amount was included in current liabilities as of September 30, 2001.

Preferred Stock. The company has 5,000,000 shares of authorized but unissued preferred stock. Shares of Series A Junior Participating Preferred Stock have been reserved for possible future issuance in connection with the company's Shareholder Rights Plan, described

below.

Shareholder Rights Plan. The company's Board of Directors has adopted a Shareholder Rights Plan under which shareholders of NUI common stock were issued as a dividend one right to buy one one–hundredth of a share of Series A Junior Participating Preferred Stock at a purchase price of $50 (Right) for each share of common stock held. The Rights initially attach to the shares of NUI common stock and can be exercised or transferred only if a person or group (an Acquirer), with certain exceptions, acquired, or commenced a tender offer to acquire beneficial ownership of 15 percent or more of NUI common stock. The company may redeem the Rights at $0.001 per Right at any time prior to the occurrence of any such event. Each Right, except those held by the Acquirer, may be used by the non–acquiring shareholders to purchase, at the Right's exercise price, shares of NUI common stock having a market value equivalent to twice the Right's exercise price, thus substantially reducing the Acquirer's ownership percentage. All rights expire on March 2, 2011.

Common Stock. The company periodically issues shares of common stock in connection with NUI Direct, the company's dividend reinvestment and stock purchase plan, and various employee benefit plans. Effective May 26, 1998, several of these plans commenced purchasing shares on the open market to fulfill their requirements. Under the terms of these plans, the company may periodically change the method of purchasing shares from open market purchases to purchases directly from the company, or vice versa.

The company sold 1.725 million shares of common stock for net proceeds of approximately $37.0 million during March 2002 under the shelf registration statement. The proceeds from the sale were used to pay down short–term debt.

At September 30, 2002, shares reserved for issuance under the company's common stock plans were: NUI Direct, 35,297; Savings and Investment Plan, 121,966; NUI Corporation Stock Option, Stock Award and Incentive Plan, as amended and restated, 390,097; 1996 Employee Stock Purchase Plan, 52,939; and the 1996 Director Stock Purchase Plan, 43,168.

Stock Plans. The company has in effect the NUI Corporation Stock Option, Stock Award and Incentive Plan (the Plan), which provides for the granting of equity–based and cash incentive awards to officers and other key employees of the company. Under the award plan, grants of performance–based restricted stock and stock options have been made and targets for earning cash incentive awards have been established. Stock option grants are more fully discussed in Note 14. In addition to the award plan, the company maintains the 1996 Director Stock Purchase Plan, which provides for the purchase by members of the board of directors of shares of common stock at a fifteen percent discount to the fair market value on the date of purchase.

Restricted shares of stock granted as long–term compensation for executive officers and key employees amounted to 115,450 in fiscal 2002, 91,350 in fiscal 2001 and 82,750 in fiscal 2000. As of September 30, 2002, a total of 236,162 shares of restricted stock that have been granted as long–term compensation are subject to future vesting requirements, and are restricted from resale.

Dividend Restrictions. The company's long–term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the company was permitted to pay approximately $40.9 million of cash dividends at September 30, 2002.

14. Stock Options

Beginning in January 2002, the company may grant stock options to officers and certain other employees to purchase shares of NUI common stock at a price equal to the market price on the date the option is granted. Options may have vesting and other terms as established by the company and have a maximum term of 7 years. At September 30, 2002, a total of 965,600 shares were designated for future issuance of common stock.

Presented below is a summary of stock option activity:

	Options Outstanding	Wtd Avg. Exercise Price	Options Exercisable	Wtd Avg. Exercise Price
Balance at September 30, 2001	—		—	
Granted	965,600	$22.40	—	N/A
Balance at September 30, 2002	965,600	$22.40	—	N/A

The options above have a weighted average remaining life of 6 years. There are no options that are exercisable at September 30, 2002.

Pro Forma Fair Value Disclosures

Had employee compensation expense been recognized based on the fair value of the stock options on the grant date under the methodology prescribed by SFAS 123, the Company's net income and diluted earnings per share for the year ended September 30, 2002, would have been impacted as shown in the following table (in thousands, except for per share amounts).

Reported net loss	$(15,888)
Pro forma net loss	$(17,269)
Reported loss per share	$(1.06)
Pro forma loss per share	$(1.16)

The fair values of the stock options granted, which is hypothetically amortized to compensation expense over the vesting period in determining the pro forma impact noted above, has been estimated on the date of grant using the Black–Scholes option–pricing model with the following weighted average assumptions:

Expected life of option	5 years
Risk–free interest rate	4.9 percent
Expected volatility of NUI stock	51.6 percent
Expected dividend yield on NUI stock	3.8 percent

The fair value of the options granted during fiscal 2002 using the Black–Scholes model is as follows (in thousands, except for per option amount):

Fair value of each option granted	$8.82
Total number of options granted	965.6
Total fair value of all options granted	$8,520

For SFAS 123 purposes, the weighted average fair value of stock options granted is required to be based on a theoretical option–pricing model such as the Black–Scholes method. In actuality, because the company's employee stock options are not traded on an exchange, employees can receive no value nor derive any benefit from holding stock options under these plans without an increase in the market price of NUI stock. Such an increase in stock price benefits all stockholders commensurately.

15. Notes Payable to Banks

At September 30, 2002, the Company's outstanding notes payable to banks were $128.7 million with a combined weighted average interest rate of 2.6 percent. Unused lines of credit at September 30, 2002, were approximately $96.3 million. The company's lines of credit, under which the company had the ability to borrow up to $225 million, expired on December 18, 2002. As a result of the reduced amount of short–term indebtedness outstanding, and the company's expected lower requirements for short–term credit going forward, at the company's request, the lenders in the company's bank group unanimously agreed to extend the maturity of $195 million of the notes payable through February 12, 2003, which is past the typical cyclical peak of the company's credit needs in December of each year. The company has also received written commitments from a majority of its lenders to extend the maturity of $130 million of the credit facility from that date through February 2004, and is continuing to negotiate with other lenders for a similar commitment. The company believes that it will be able to negotiate sufficient extensions of its credit facility through February 2004 to satisfy its current credit needs as well as to provide a contingency reserve for potential unforeseen events, such as possible higher gas inventory costs if natural gas prices should increase. However, there is no assurance that the company will successfully negotiate the extension or that it will be able to close on the extension of the credit facility in February 2003. As a result of obtaining the new credit agreements, the company's facility fees and borrowing costs increased by 62.5 basis points or 0.625 percent and NUI Utilities' facility fees and borrowing costs increased by 50 basis points, or 0.50 percent. Pricing grids have been provided to the company by its lenders, which tier pricing to higher and lower credit ratings should a debt rating change occur. These increased borrowing rates are expected to be largely, if not completely, offset by lower outstanding balances under the credit facility during fiscal 2003, such that overall interest expense is not expected to differ materially from fiscal 2002.

In October 2002, NUI and NUI Utilities amended their existing Credit Agreements with their bank lenders. The amendments to both Credit Agreements removed the requirement to maintain a minimum credit rating, and added provisions providing for increases in the interest rates and facility fees payable corresponding to credit ratings at and below the credit ratings that were previously required under the Credit Agreements. In addition, the minimum fixed charge coverage ratio required pursuant to the NUI Corporation Credit Agreement was amended from 1.75x to 1.50x for quarters ended on or after September 30, 2002. The NUI Corporation Credit Agreement also was amended to modify the fixed charge coverage ratio test to allow for the add back of certain one–time predominantly non–cash charges associated with NUI Corporation's implementation of SFAS 144 and SFAS 142 with respect to NUI Corporation's investment in TIC. The omission of the add backs in the Credit Agreement covenant prior to the amendment resulted in NUI Corporation being in technical default under the Credit Agreement during fiscal 2002. Because the original Credit Agreement did not allow for such add backs, NUI Corporation's income under the original Credit Agreement covenant calculations was reduced by approximately $13.6 million to account for after–tax losses recorded during fiscal 2002 for discontinued operations of TIC pursuant to SFAS 144, and by approximately $17.6 million because of the adoption of SFAS 142 which related to the carrying value of the goodwill of NUI Corporation's TIC subsidiary. The amendments to the NUI Corporation Credit Agreement cured the technical default thereunder. In addition, both credit agreements were amended to allow the borrowers to enter into up to $50 million aggregate of financing transactions to permit NUI Utilities' Elizabethtown Gas subsidiary to consummate a contemplated financing of certain gas

meters and related equipment in the amount of approximately $33 million, upon approval of the NJBPU. The company currently expects to be in compliance with the new terms of the financial covenants during fiscal 2003.

The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $164.3 million at 3.1 percent in fiscal 2002, $161.2 million at 6.2 percent in fiscal 2001 and $75.3 million at 6.7 percent in fiscal 2000.

16. Leases

Property, plant and equipment held under capital leases amounted to$39.3million at September 30, 2002, and $32.6 million at September 30, 2001, with related accumulated amortization of $20.0 million and $21.7 million, respectively. These properties consist principally of leasehold improvements, office furniture and fixtures, vehicles and gas meters and related equipment. A summary of future minimum payments for properties held under capital leases follows (in thousands):

2003	$3,004
2004	2,667
2005	2,008
2006	1,362
2007	1,177
Thereafter	6,100
Total future minimum payments	16,318
Amount representing interest	(3,224)
Current portion of capital lease obligations	(2,351)
Capital lease obligations	$10,743

The company has entered into non–cancelable operating leases, which principally relate to office space and information technology assets used in its operations. The future minimum lease payments as of September 30, 2002 are as follows:

2003	$6,793
2004	5,558
2005	5,106
2006	5,208
2007	5,321
Thereafter	9,726
Total	$87,712

Rents charged to operations expense were $11.3 million in fiscal 2002, $9.7 million in fiscal 2001, and $7.0 million in fiscal 2000. Certain of the company's office leases contain rent escalations. The company records rent expense on a straight–line basis over the life of these leases.

The company has entered into subleases for a portion of the office space noted above. Amounts received from subleases were $2.8 million in fiscal 2002, $2.6 million in fiscal 2001, and $1.7 million in fiscal 2000.

17. Financial Instruments and Derivatives

Derivatives. The company's wholesale trading subsidiary, NUI Energy Brokers, utilizes financial instruments to provide competitive energy supplies and enhance the company's profitability. The company engages in derivative activities for both trading and non–trading purposes. Instruments utilized in connection with trading activities are accounted for using the mark–to–market method. Under the mark–to–market method of accounting, forwards, futures, swaps, options and other instruments with third parties are reflected at fair value and are shown as "Derivative Assets and Liabilities" in the consolidated balance sheet. Changes in the assets and liabilities from derivative activities result primarily from changes in the valuation of the portfolio of contracts, newly originated transactions and the timing of settlement relative to the receipt of cash for certain contracts.

The company's utility divisions utilize certain derivatives for non–trading purposes to hedge the impact of market fluctuations on assets, liabilities and other contractual commitments. Pursuant to SFAS 133, such derivative products are marked–to–market each reporting period. Pursuant to regulatory requirements, realized gains and losses related to such derivatives are reflected in purchased gas costs and included in billings to customers. Consequently, unrealized gains and losses are reflected as regulated assets or liabilities as appropriate.

NUI Energy Brokers accounts for its trading activities by marking–to–market all trading positions and calculating its value–at–risk on a daily basis. The values used for these calculations include New York Mercantile Exchange (NYMEX) settlement prices and prices from other well–established third–party organizations, established pricing models, and quoted market volatilities. The company manages its open positions within the guidelines of a Risk Management Policy that limits its exposure to market risks and requires that, among other things, any breach of policy be reported to senior management.

Realized and unrealized gains and losses are recorded in the consolidated statement of income under purchased gas and fuel. At September 30, 2002, NUI Energy Brokers had purchased and sold NYMEX futures contracts totaling 46.5 Bcf of natural gas at prices ranging from $2.738 to $4.91 per Mcf, which include derivatives for the utility divisions. Approximately 73 percent of these contracts have a duration of one–year or less and none of these contracts extend beyond September 2005. The Company's option contracts consisted of 1,136 puts and calls at varying strike prices, none of which extend beyond August 2005. NUI Energy Brokers' mark–to–market value of their swap positions at year–end was approximately $5.1 million. The swap transactions have terms that extend through March 2004. Additionally, NUI Energy Brokers had forward purchase and sale commitments extending through December 2007. At September 30, 2002, NUI Energy Brokers' forward and storage transactions had an unrealized mark–to–market value of approximately $14.6 million.

The company has margin collateral deposits of $5.0 million and $34.4 million at September 30, 2002 and 2001, respectively, included within Prepayments and Other on the Consolidated Balance Sheets.

Net realized and unrealized gains on derivative trading for fiscal 2002 totaled $19.6 million, compared to $19.4 million in 2001, and has been included in income.

The cash flow impact of financial instruments is reflected as cash flows from operating activities in the consolidated statement of cash flows.

The risk associated with open positions is closely monitored on a daily basis, and controlled in accordance with Energy Brokers' Risk Management Policy. This policy has been prepared by senior management and approved by the company's Board of Directors, and dictates policies and procedures for all trading activities. The policy defines both value–at–risk (VaR) and loss limits, and all traders are required to read, sign, and follow this policy. At the end of each day, all trading positions are marked–to–market and a VaR is calculated. This information, as well as the status of all limits, is disseminated to senior management daily. In addition, the Risk Management Policy is regularly reviewed by senior management to assure that it is current and responsive to all marketplace risks, with any changes approved by the Board of Directors.

The company is exposed to credit risk in the event of default or non–performance by one of its trading partners, The company adheres to strict credit policies that management believes minimize overall credit risk. Additionally, certain trading transactions entered into under master agreements and other arrangements provide NUI Energy Brokers with a right of setoff in the event of bankruptcy or default by the counterparty.

Other Financial Instruments. The fair value of the company's cash equivalents, funds for construction held by trustee and notes payable to banks are approximately equivalent to their carrying value. The carrying value of the company's long–term debt exceeded its fair value by approximately $14.9 million and $7.9 million as of September 30, 2002 and 2001, respectively. The fair value of long–term debt was estimated based on quoted market prices for the same or similar issues.

18. Consolidated Taxes

The provision for Federal and State income taxes was comprised of the following (in thousands):

	2002	2001*	2000*
Currently payable (receivable) –			
Federal	$5,546	$(16,709)	$8,865
State	2,796	3,771	2,615
Deferred –			
Federal	(14,113)	25,253	2,270
State	(5)	107	945
Amortization of investment tax credits	(439)	(438)	(426)
Total provision for income taxes	$(6,215)	$11,984	$14,269
Total income tax provision included in:			
Continuing operations	$11,224	$18,666	$14,356
Discontinued operations	(7,939)	(6,682)	(87)
Cumulative effect of change in accounting	(9,500)	———	———
Total provision for income taxes	$(6,215)	$11,984	$14,269

* Certain amounts for fiscal 2000 and 2001 have been restated– see Note 2

The components of the company's net deferred Federal tax liability (asset) as of September 30, 2002 and 2001 are as follows (in thousands):

	2002	2001
Depreciation and other utility plant differences	$62,123	$60,997
Plant acquisition adjustments	6,050	9,383

Alternative minimum tax credit	(5,346)	—
Unrecovered gas costs	16,846	19,416
Pension and other employee benefits	6,204	5,847
Unrealized gains and losses	9,581	8,265
Goodwill	(10,386)	(897)
Other	(3,184)	(6,328)
	$81,888	$96,683

* Certain amounts for fiscal 2000 and 2001 have been restated– see Note 2

The alternative minimum tax credit can be carried forward indefinitely to reduce the company's future tax liability. There are no net operating loss carryforwards at September 30, 2002. The company has not recorded any tax valuation reserves associated with deferred tax assets because the company expects that it is more likely than not that these tax assets would be realized in future periods.

The company's effective income tax rates differ from the statutory Federal income tax rates due to the following (in thousands):

	2002	2001*	2000*
Pre–tax income	$(22,103)	$28,298	$34,827
Federal income taxes computed at Federal statutory tax rate of 35 percent	(7,736)	9,904	12,189
Increase (reduction) resulting from:			
Excess of book over tax depreciation	329	321	341
Amortization of investment tax credits	(439)	(438)	(426)
Federal benefit of state tax provision	(977)	(1,357)	(1,246)
Other, net	(183)	(324)	(149)
Total provision for Federal income taxes	(9,006)	8,106	10,709
Provision for State income taxes	2,791	3,878	3,560
Total provision for income taxes	$(6,215)	$11,984	$14,269

* Certain amounts for fiscal 2000 and 2001 have been restated– see Note 2

19. Retirement and Other Benefits

Pension Benefits. The company has non–contributory defined benefit retirement plans, which cover all of its employees other than the City Gas of Florida union employees who participate in a union–sponsored multi–employer plan. The company funds its plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974 and makes contributions to the union–sponsored plan in accordance with its contractual obligations. Benefits paid under the company's plans are based on years of service and levels of compensation. The company's actuarial calculation of pension expense is based on the projected unit cost method.

The changes in the pension benefit obligation for the company's plans were as follows (in thousands):

	2002	2001
Benefit obligation at beginning of year	$94,610	$81,303
Service cost	2,797	2,213
Interest cost	6,813	6,614
Plan amendments	64	—
Actuarial loss	5,296	10,325
Benefits paid	(9,076)	(5,845)
Benefit obligation at end of year	$100,504	$94,610

The change in the company's plan assets were as follows (in thousands):

	2002	2001
Fair value of plan assets at beginning of year	$111,578	$131,256
Actual return on plan assets	(10,136)	(13,817)
Estimated expenses	—	(16)
Benefits paid	(9,076)	(5,845)
Fair value of plan assets at end of year	$92,366	$111,578

The reconciliation of the funded status of the company's funded plans as of September 30, 2002 and 2001 was as follows (in thousands):

	2002	2001
Funded status	(8,138)	16,968
Unrecognized net loss	34,643	8,619
Unrecognized prior service cost	2,126	2,540
Unrecognized net transition asset	—	(10)
Pension prepayment	$28,631	$28,117

The projected benefit obligation was calculated using a discount rate of 6.75 percent in fiscal 2002 and 7.25 percent in fiscal 2001, and an assumed annual increase in compensation levels of 4 percent in fiscal 2002 and 2001. The expected long–term rate of return on assets was calculated at 9.75 percent in both fiscal 2002 and fiscal 2001, and has been reduced to approximately 9 percent beginning in fiscal 2003. The company's pension fund assets are invested approximately 70 percent in publicly traded equity securities and approximately 30 percent in publicly traded debt securities.

The components of pension expense for the company's plans were as follows (in thousands):

	2002	2001	2000
Service cost	$2,797	$2,229	$2,007
Interest cost	6,813	6,614	6,029
Return on plan assets	(10,592)	(12,504)	(12,351)
Net amortization and deferral	468	(684)	(1,469)
Pension credit	$ (514)	$(4,345)	$(5,784)

Certain key employees also participate in an unfunded supplemental retirement plan. The projected benefit obligation under this plan was $6.7 million as of September 30, 2002, $6.4 million as of September 30, 2001, and $4.9 million as of September 30, 2000, and the expense for this plan was approximately $0.9 million in fiscal 2002 and 2001, and $0.6 million in fiscal 2000. The company recorded $0.2 million, after–tax, and $0.4 million, after–tax, in fiscal years 2002 and 2001, respectively, due an increased minimum liability related to the supplemental plan. This adjustment has been included in "Accumulated Other Comprehensive Income" on the company's Consolidated Statement of Capitalization and Consolidated Statement of Shareholder's Equity.

Post–retirement Benefits Other Than Pensions. The company provides certain health care benefits to all retirees receiving benefits under a company pension plan other than the City Gas Company of Florida plan, who reach retirement age while working for the company.

The company accounts for these plans under Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Post–retirement Benefits Other Than Pensions" (SFAS 106), which, among other things, requires companies to accrue the expected cost of providing other post–retirement benefits to employees and their eligible dependents during the years that eligible employees render the necessary service. The company currently funds these future benefits through a Voluntary Employees Beneficiary Association.

Effective July 1, 2000, the company no longer offers post–retirement benefits other than pensions for any new hires. In addition, the company has capped its share of costs at $500 per participant, per month for retirees under age 65, and at $150 per participant, per month for retirees over age 65.

The changes in the post–retirement benefit obligation for the company's plans were as follows (in thousands):

	2002	2001
Benefit obligation at beginning of year	$20,552	$21,265
Service cost	264	224
Interest cost	1,451	1,476
Actuarial loss	1,528	417
Plan amendments	(134)	(1,082)
Benefits paid	(2,323)	(2,018)
Other	299	270
Benefit obligation at end of year	$21,637	$20,552

The changes in the company's plan assets were as follows (in thousands):

	2002	2001
Fair value of plan assets at beginning of year	$1,700	$1,619
Actual return on plan assets	88	81
Employer contributions	7,359	1,748

Plan participants' contributions	299	270
Benefits paid	(2,323)	(2,018)
Fair value of plan assets at end of year	$7,123	$1,700

The reconciliation of the funded status of the company's post–retirement plans other than pensions as of September 30, 2002 and 2001, was as follows (in thousands):

	2002	2001
Funded status	$14,514	$18,852
Unrecognized prior service cost	1,014	970
Unrecognized net gain	(5,047)	(2,810)
Accrued post–retirement benefit obligation	$10,481	$17,012

The components of post–retirement benefit expense other than pensions were as follows (in thousands):

	2002	2001	2000
Service cost	$264	$224	$770
Interest cost	1,451	1,476	2,062
Amortization of transition obligation	—	—	516
Other	(161)	(164)	(72)
Net post–retirement expense	$1,554	$1,536	$3,276

The health care trend rate assumption is 7.45 percent in 2002 gradually decreasing to 5.50 percent for the year 2005 and later. The discount rate used to compute the accumulated post–retirement benefit obligation was 6.75 percent in fiscal 2002 and 7.25 percent in fiscal 2001. An increase in the health care trend rate assumption by one percentage point in all years would increase the accumulated post–retirement benefit obligation by approximately $2.5 million and the aggregate annual service and interest costs by approximately $0.2 million.

The company continually evaluates alternative ways to manage these benefits and control its costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefit may have a significant effect on the amount of the reported obligation and expense.

Employee Stock Purchase Plan (ESPP). The company allows eligible employees to purchase shares of the company's stock monthly at a price equal to 85 percent of the lower of the fair market value on the first and last trading days of the month, up to a maximum of 10 percent of their annual compensation. The company expenses this employee discount as compensation expense.

Savings and Investment Plans (401(k)). The company maintains a voluntary 401(k) savings plan designed to enhance existing retirement programs covering eligible employees. The plan allows eligible employees who participate to make contributions of up to six percent of their annual base pay, which are matched by contributions by the company. Contributions are invested at the election of the employee in the company's common stock or in various other investment funds. Participants investing in the NUI Stock Fund are matched by the company at 60 percent of their contributions. Participant contributions that are invested in all other funds are matched by the company at 50 percent. Effective October 1, 2002, the company increased the match to 60 percent of each employee's first 6 percent of salary contributions in all other funds. Employer contributions charged to expense were $1.3 million, $1.2 million and $1.1 million for the fiscal years ended September 30, 2002, 2001, and 2000, respectively.

20. Business Segment Information

The company's operations are organized and managed as three primary segments: Distribution Services, Wholesale Energy Marketing and Trading and Retail and Business Services. During fiscal 2002, the Distribution Services segment distributed natural gas in seven states through the company's regulated utility operations. The Wholesale Energy Marketing and Trading segment reflects the operations of the company's NUI Energy Brokers and NUI Virginia Gas subsidiaries, as well as off–system sales made by NUI Energy Brokers on behalf of the utility operations. The Retail and Business Services segment reflects the operations of the company's NUI Energy, UBS, and NUI Telecom subsidiaries, the network and wireless product lines of TIC Enterprises, as well as appliance leasing, repair and maintenance operations. The company also has corporate operations that do not generate any revenues.

The following table provides information concerning the major segments of the company for each of the three fiscal years ended September 30, 2002, 2001 and 2000. Revenues and operating margins include intersegment sales to affiliated entities, which are eliminated in consolidation. Identifiable assets include only those attributable to the operations of each segment. Certain reclassifications have been made to prior year segment data to conform with the current year's presentation.

(Dollars in thousands)	2002	2001*	2000*
Revenues:			
Distribution Services	$391,265	$489,551	$381,505
WholesaleEnergy Marketing & Trading	108,531	135,813	94,905
Retail & Business Services	65,179	49,612	32,047
Intersegment Revenues	(8,507)	(15,110)	(9,713)
Total Revenues	$556,468	$659,866	$498,744
Operating Margins:			
Distribution Services	$158,815	$163,968	$158,601
Wholesale Energy Marketing & Trading	29,365	22,872	14,366
Retail & Business Services	24,899	24,647	15,380
Intersegment Margins	(2,195)	(6,457)	(5,807)
Total Operating Margins	$210,884	$205,030	$182,540
Pre-Tax Operating Income:			
Distribution Services	$41,888	$53,189	$46,856
WholesaleEnergy Marketing & Trading	15,642	14,152	9,004
Retail & Business Services	(3,664)	2,431	(86)
Total Pre-Tax Operating Income	$53,866	$69,772	$55,774
Depreciation & Amortization:			
Distribution Services	$25,465	$22,811	$22,413
Wholesale Energy Marketing & Trading	2,318	693	68
Retail & Business Services	3,289	2,955	2,503
Total Depreciation & Amortization	$31,072	$26,459	$24,984
Identifiable Assets:			
Distribution Services	$751,684	$778,018	$703,790
Wholesale Energy Trading & Marketing	148,234	138,693	65,343
Retail & Business Services	86,247	108,432	36,066
Total Identifiable Assets	$986,165	$1,025,143	$805,199
Capital Expenditures:			
Distribution Services	$40,242	$40,559	$42,328
Wholesale Energy Marketing & Trading	854	8,020	6
Retail & Business Services	5,593	3,955	4,936
Total Capital Expenditures	$46,689	$52,534	$47,270

*– As Restated (see Note 2 of the Notes to the Consolidated Financial Statements)

A reconciliation of the company's segment pre-tax operating income, depreciation and amortization, identifiable assets and capital expenditures to amounts reported on the consolidated financial statements is as follows:

(Dollars in thousands)	2002	2001*	2000*
Segment Pre-Tax Operating Income	$53,866	$69,772	$55,774
Non-segment pre-tax operating loss	(5,532)	(3,094)	(5,082)
Operating income from Continuing Operations	$48,334	$66,678	$50,692
Segment Depreciation & Amortization	$31,072	$26,459	$24,984
Non-segment depreciation & amortization	7	4	2,831
Depreciation & Amortization	$31,079	$26,463	$27,815
Segment Identifiable Assets	$ 986,165	$1,025,143	$805,199
Non-segment identifiable assets	55,127	121,248	106,070
Total Assets	$1,041,292	$1,146,391	$911,269
Segment Capital Expenditures	$46,689	$52,534	$47,270
Non-segment capital expenditures	7,681	5,429	689
Total Capital Expenditures	$54,370	$57,963	$47,959

*– As Restated (see Note 2 of the Notes to the Consolidated Financial Statements)

21. Commitments and Contingencies

*Commitments.*On April 30, 2001, the company announced an agreement with a unit of Duke Energy to develop a natural gas storage facility in Saltville, Virginia. NUI's Virginia Gas subsidiary and Duke Energy Gas Transmission (DEGT) have created a limited liability company, Saltville Gas Storage Company LLC (LLC). Upon final approval by appropriate regulatory agencies, Virginia Gas

will contribute certain storage assets valued at approximately $16 million to the LLC. DEGT will contribute $16 million of capital required to expand the facility for its intended purpose.

The company and DEGT will fund the costs of developing the storage assets equally over the next five years. The company currently estimates its share of future funding needs to be $18.3 million in fiscal 2003, $7.3 million in fiscal 2004, $0.8 million in fiscal 2005, $0.7 million in fiscal 2006, and $0.8 million in fiscal 2007. The company expects that all, or substantially all, of its funding requirements for the joint venture during fiscal 2003 will be provided through the execution of a long–term (12 to 15 year) capital lease with a bank on a compressor station.

The company has guarantees of approximately $385 million to 79 counterparties as of September 30, 2002, in support of NUI Energy Brokers' trading activities. These guarantees are necessary to facilitate trading with a broad group of potential counterparties, although typically NUI Energy Brokers uses only a fraction of the issued guarantees at any given time. Further, since NUI Energy Brokers has netting agreements in place with most of their counterparties, the guarantees would apply only to any net balances owed to their respective counterparties. As of September 30, 2002, outstanding guarantees are approximately $17.5 million.

*Environmental Matters.*The company owns, or previously owned, certain properties located in the states of New Jersey, North Carolina, South Carolina, Pennsylvania, New York and Maryland on which manufactured gas plants (MGP) were operated by the company or by other parties in the past. In New Jersey, the company is currently conducting remedial activities at such properties with oversight from the New Jersey Department of Environmental Protection and anticipates initiation of such activities in the state of North Carolina within the next five years. Although the actual total cost of future environmental investigation and remediation efforts cannot be reasonably estimated, the company has recorded a total reserve of approximately $33.8 million which the company believes represents the probable minimum amount the company may expend over the next 30 years. Of this reserve, approximately $30.2 million relates to remediation of the New Jersey MGP properties and approximately $3.6 million relates to remediation of the MGP properties located outside the state of New Jersey.

The company's prudently incurred remediation costs for the New Jersey MGP properties have been authorized by the New Jersey Board of Public Utilities (NJBPU) to be recoverable in rates through its MGP Remediation Adjustment Clause. As a result, the company has begun rate recovery of approximately $8.2 million of environmental costs incurred through June 30, 2000. Recovery of an additional $1.7 million incurred between July 1, 2000, and June 30, 2002 is currently pending NJBPU approval. Accordingly, the company has recorded a regulatory asset of approximately $36.4million as of September 30, 2002, reflecting the future recovery of both incurred costs and future remediation liabilities in the state of New Jersey. The company has also been successful in recovering a portion of MGP remediation costs incurred in New Jersey from the company's insurance carriers and continues to pursue additional recovery. As further discussed in Note 10, the company sold the net assets of its North Carolina Gas utility division on September 30, 2002 and its Valley Cities Gas and Waverly Gas utility divisions on November 7, 2002. Included in these asset sales were the environmental obligations for two of the company's MGP sites; one in North Carolina and one in Pennsylvania. With respect to costs associated with the MGP properties located outside New Jersey, the company intends to pursue recovery from ratepayers, former owners and operators, and/or insurance carriers, although the company is not able to express a belief as to whether any or all of these recovery efforts will be successful. The company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders.

Gas Procurement Contracts. Certain of the company's long–term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $62.6 million annually. The company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. As a result of the unbundling of natural gas services in New Jersey, these contracts may result in the realization of stranded costs by the company. Management believes the outcome of these actions will not have a material effect on the company's results. The company also is committed to purchase, at market–related prices, minimum quantities of gas that, in the aggregate, are approximately 2.6 billion cubic feet per year or to pay certain costs in the event the minimum quantities are not taken. The company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

Other. The company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these claims and litigation will have a material adverse effect on the company's results of operations or its financial condition (see Note 22 below).

22. Subsequent Events

On October 28, 2002, a lawsuit captioned Jack Klebanow, on behalf of himself and all others similarly situated vs. NUI Corporation and John Kean, Jr. was filed in the United States District Court for the District of New Jersey; on October 31, 2002, a lawsuit captioned Gisela Friedman, on behalf of herself and all others similarly situated vs. NUI Corporation and John Kean, Jr. was filed in the United States District Court for the District of New Jersey; and on November 6, 2002 a lawsuit captioned Thomas Davis, on behalf of himself and all others similarly situated vs. NUI Corporation and John Kean, Jr. was filed in the United States District Court for the District of New Jersey. These three lawsuits are substantially similar. The plaintiffs are shareholders who assert claims on behalf of a putative class of purchasers of NUI's common stock between November 8, 2001 and October 17, 2002 (the Friedman complaint asserts a class period of July 26, 2001 to October 17, 2002). The plaintiffs allege that the company and its president and chief executive officer violated federal securities laws by issuing false statements and failing to disclose information regarding the

company's financial condition and current and future financial prospects in its earnings statements, press releases, and in statements to analysts and others. Specifically, the plaintiffs allege that the company failed to disclose that it was experiencing problems with regard to increased costs in its telecommunications business; increased costs of insuring its medical benefits; a rise in bad debt from its customers; and a decline in the value of its pension plan assets. The plaintiffs allege that these non-disclosed costs put a strain on the company's operating margins, and on October 18, 2002, caused the company to announce that it would sustain greatly reduced earnings for fiscal years 2002 and 2003. Based upon these allegations, the plaintiffs allege claims under Section 10(b), including Rule 10b-5 promulgated thereunder, and Section 20(a) of the securities Exchange Act of 1934, and seek unspecified monetary damages, pre- and post-judgment interest, attorneys' fees and experts' fees, costs, and any other available relief. In addition, on December 23, 2002, a law firm made a public announcement with respect to a lawsuit purportedly filed in the Southern District of New York on behalf of a putative class of purchasers of NUI's common stock between November 8, 2001 and October 17, 2002 against NUI Corporation and John Kean, Jr., alleging violations under Section 10(b), including Rule 10b-5 promulgated thereunder, and Section 20(a) of the Securities Exchange Act of 1934. Specifically, the announcement alleges that the company knowingly or recklessly failed to properly record fixed cost expenses, accrue necessary pension expenses and reserve adequate amounts for its self-insured medical benefits in its quarterly financial statements. At this time, the company has not been served with the purported complaint. The company intends to vigorously defend these lawsuits and it is not possible at this time to determine a likely outcome.

23. Unaudited Quarterly Financial Data

As discussed more fully in Note 2, the company has restated the results of fiscal 2000 and 2001, including each individual quarter, as well as the first three quarters of fiscal 2002. The individual adjustments are described fully in the legend footnotes below. The following tables summarize the impact of these adjustments on the company's previously reported quarterly results (in thousands, except per share amounts). Amounts contained in the "Results as Reclassified for EITF 02-03 and SFAS 144" columns below reflect the required reclassifications due to the adoption of SFAS 144 and the netting provision of EITF 02-03 (see Notes 1 and 2).

Fiscal 2002:	**2002 Results as Reclassified for EITF 02-03 and SFAS 144**	**Adjustments**	**Legend**	**2002 As Restated**
First Quarter:				
Operating Revenues	$161,238	(19)	a	$161,219
Operating Margin	58,736	45	a, b	58,781
Income from Continuing Operations	8,226	(234)	a-f, k	7,992
Net Income (Loss)	$(13,080)	3,686	a-k	$(9,394)
Income per Share from Continuing Operations	$ 0.59	$(0.02)		$ 0.57
Net Income (Loss) Per Share	$(0.96)	$ 0.29		$(0.67)
Second Quarter:				
Operating Revenues	$185,295	(24)	a	$185,271
Operating Margin	71,331	62	a, b	71,393
Income from Continuing Operations	15,747	(327)	a-f, k	15,420
Net Income	$15,094	(1,258)	a-k	$13,836
Income per Share from Continuing Operations	$1.11	$(0.03)		$1.08
Net Income Per Share	$1.04	$(0.07)		$0.97
Third Quarter:				
Operating Revenues	$108,077	(93)	a	$107,984
Operating Margin	41,516	(1,065)	a, b, c	40,451
Income (Loss) from Continuing Operations	(2,708)	(816)	a-f, k	(3,524)
Net Income (Loss)	$(10,391)	(944)	a-k	$(11,335)
Income (Loss) per Share from Continuing Operations	$(0.17)	$(0.05)		$(0.22)
Net Income (Loss) Per Share	$(0.66)	$(0.06)		$(0.72)
Fourth Quarter:				
Operating Revenues	$101,994			$101,994
Operating Margin	40,259			40,259
Income (Loss) from Continuing Operations	(3,729)			(3,729)
Net Income (Loss)	$(8,995)			$(8,995)
Income (Loss) per Share from Continuing Operations	$(0.24)			$(0.24)
Net Income (Loss) Per Share	$(0.57)			$(0.57)

Restatement Adjustment Legend for 2002 Quarters (dollars in thousands):

a. Recorded an adjustment to revenues of $19, $24 and $93 in the first, second and third quarters, respectively, in order to adjust the unrecorded gas costs balance to equal the underlying gas costs detail.

b. Recorded an adjustment to purchased gas costs of $64, $86 and $53 in the first, second and third quarters, respectively, to record changes to a mark–to–market transaction recorded by NUI Energy Solutions, Inc.

c. Recorded an adjustment of $1,025 in the third quarter reversing a purchased gas cost transaction previously recorded by NUI Energy.

d. Recorded an adjustment of $118 in each of the first three quarters to record rental expense for an operating lease on a straight–line basis. Previously, the company had recognized rent expense as paid on an operating lease.

e. Recorded adjustments to the pension credit of $349, $349 and $(1) in the first, second and third quarters, respectively, to adjust the pension credit as determined by the company's actuaries.

f. Recorded an adjustment to expense certain previously deferred start–up costs related to various business projects of $(25), $104 and $201 in the first, second and third quarters, respectively.

g. Recorded an adjustment to expense certain costs that had previously been deferred related to pending utitily asset sales of $191, $49 and $47 in the first, second and third quarters, respectively.

h. Recorded an adjustment to increase revenue of $686 in the first quarter of fiscal 2002 to appropriately recognize revenue on certain TIC equipment sales, which were previously recognized prior to the completion of required installation obligations.

i. Recorded an adjustment to the cumulative effect of a change in accounting for goodwill of $5,718 in the first quarter as a result of changes to TIC's goodwill recorded in fiscal 2001 (see below).

j. Recorded an adjustment to expense previously deferred development costs related to NUI Environmental projects of $117, $1,080, $264 in the first, second and third quarters, respectively.

k. Represents the income tax effects of all adjustments

Quarterly net income (loss) per share in fiscal 2002 does not total to the annual amount due to rounding and to changes in the average common shares outstanding.

Fiscal 2001:	**2001 Results as Reclassified for EITF 02–03 and SFAS 144**	**Adjustments**	**Legend**	**2001 As Restated**
First Quarter:				
Operating Revenues	$171,024	(44)	a	$170,980
Operating Margin	52,918	(44)	a	52,874
Income from Continuing Operations	7,787	(195)	a–j, p	7,592
Net Income	$8,410	(99)	a–p	$8,311
Income per Share from Continuing Operations	$0.60	$(0.01)		$0.59
Net Income Per Share	$0.65	$(0.01)		$0.64
Second Quarter:				
Operating Revenues	$244,355	(99)	a	$244,256
Operating Margin	67,196	(74)	a, b	67,122
Income from Continuing Operations	17,639	(282)	a–j, p	17,357
Net Income	$14,754	(858)	a–p	$13,896
Income per Share from Continuing Operations	$1.36	$(0.02)		$1.34
Net Income Per Share	$1.14	$(0.07)		$1.07
Third Quarter:				
Operating Revenues	$146,699	(76)	a	$146,623
Operating Margin	48,136	(54)	a, b	48,082
Income from Continuing Operations	2,670	(40)	a–j, p	2,630
Net Income (Loss)	$661	(4,055)	a–p	$(3,394)

Income per Share from Continuing Operations	$0.19	$0.00		$0.19
Net Income (Loss) Per Share	$0.05	$(0.30)		$(0.25)
Fourth Quarter:				
Operating Revenues	$100,134	(2,127)	a, c	$98,007
Operating Margin	38,913	(1,961)	a, b ,c	36,952
Income (Loss) from Continuing Operations	593	(816)	a–j, p	(223)
Net Income (Loss)	$(1,151)	(1,349)	a–p	$(2,500)
Income (Loss) per Share from Continuing Operations	$0.04	$(0.06)		(0.02)
Net Income (Loss) Per Share	$(0.08)	$(0.10)		$(0.18)

Quarterly net income (loss) per share in fiscal 2001 does not total to the annual amount due to rounding and to changes in the average common shares outstanding.

Restatement Adjustment Legend for 2001 Quarters (dollars in thousands):

a. Recorded an adjustment to revenues of $44, $99, $76 and $1 in the first, second, third and fourth quarters, respectively, in order to adjust the unrecovered gas costs balance to equal the underlying gas costs details.

b. Recorded a credit adjustment to purchased gas costs of $25, $22 and $168 in the second, third and fourth quarters, respectively, to record changes to a mark–to–market transaction recorded by NUI Energy Solutions, Inc.

c. Recorded an adjustment to accounts receivable and operating revenues of $2,128 in the fourth quarter in order to adjust the accounts receivable balance to equal the accounts receivable subledger.

d. Recorded an adjustment of $102 in each of the first three quarters, and $108 in the fourth quarter to record rental expense for an operating lease on a straight–line basis. Previously, the company had recognized rent expense as paid on an operating lease.

e. Recorded an adjustment to expense certain previously deferred start–up costs related to various business projects of $271 and $389 in the first and second quarters, respectively.

f. Recorded an adjustment of $53 in the fourth quarter to record an employee benefit associated with an employee stock purchase plan for all eligible employees.

g. Recorded an adjustment of $100 in the fourth quarter in order to agree insurance and legal reserves to supporting detail.

h. Recorded an adjustment of $333 in the fourth quarter to adjust material and supplies inventory balance to the results of a physical inventory.

i. Recorded adjustments to decrease post–retirement benefit reserves of $1,121 in the fourth quarter to reflect actuarially determined liabilities available at the date of the financial statements.

j. Timing adjustment recorded to adjust interest income on construction funds of $87.5 in each quarter of fiscal 2001 to reflect the appropriate timing of interest income.

k. Recorded an adjustment to expense $277, $137, $240 and $43 in the first, second, third and fourth quarters, respectively, of certain costs that had been previously deferred related to pending utility asset sales.

l. Recorded an adjustment to decrease revenue by $686 in the fourth quarter of fiscal 2001 to appropriately recognize revenue on certain TIC equipment sales, which were previously recognized prior to the completion of required installation obligations.

m. Recorded an adjustment to expense previously deferred development costs related to NUI Environmental projects of $439, $840, $265 and $426 in the first, second, third and fourth quarters, respectively.

n. Recorded an adjustment to recognize additional equity losses of TIC in the third quarter of $1,730. Previously, the company had not recorded their share of equity losses through the date of the acquisition of the remaining 51 percent of TIC on May 15, 2001.

o. Recorded an adjustment to appropriately expense $3,988 of costs that previously were capitalized as goodwill in the purchase accounting for TIC in the third quarter.

p. Represents the income tax effects of all adjustments

Complete Consolidated Statement of Incomes for each quarter for fiscal years 2002, 2001 and 2000 are presented below (dollars in thousands, except per share amounts). These amounts reflect all restatements and reclassifications as noted above.

	Fiscal Quarters				
	First	Second	Third	Fourth	Total
Fiscal 2002:					
Operating revenues	**$161,219**	**$185,271**	**$107,984**	**$101,994**	**$556,468**
Less: Purchased gas and fuel	93,184	102,545	56,883	46,879	299,491
Cost of sales and services	6,201	7,291	8,644	13,238	35,374
Energy taxes	3,053	4,042	2,006	1,618	10,719
Total operating margins	**58,781**	**71,393**	**40,451**	**40,259**	**210,884**
Other Operating Expenses					
Operations and maintenance	28,432	29,876	30,501	33,077	121,886
Restructuring charges	1,203	----	----	----	1,203
Depreciation and amortization	8,036	7,316	8,416	7,311	31,079
Taxes, other than income taxes	1,967	2,020	2,233	2,162	8,382
Total other operating expenses	39,638	39,212	41,150	42,550	162,550
Operating Income	**19,143**	**32,181**	**(699)**	**(2,291)**	**48,334**
Other income and expense, net	300	190	(350)	145	285
Income (loss) from before Interest and taxes	**19,443**	**32,371**	**(1,049)**	**(2,146)**	**48,619**
Interest expense	5,541	5,598	4,875	5,222	21,236
Income (loss) from Continuing Operations before Interest and taxes	**13,902**	**26,773**	**(5,924)**	**(7,368)**	**27,383**
Income tax expense (benefit)	5,910	11,353	(2,400)	(3,639)	11,224
Income (loss) from Continuing Operations	**7,992**	**15,420**	**(3,524)**	**(3,729)**	**16,159**
Discontinued operations, net of taxes	256	(1,584)	(7,811)	(5,266)	(14,405)
Income Before Effect of Change in Accounting	**8,248**	**13,836**	**(11,335)**	**(8,995)**	**1,754**
Effect of Change in Accounting, net of taxes	(17,642)	----	----	----	(17,642)
Net Income (Loss)	**$(9,394)**	**$13,836**	**$(11,335)**	**$(8,995)**	**$(15,888)**
Net Income (Loss) Per Share	$(0.67)	$0.97	$(0.72)	$(0.57)	$ (1.06)

Quarterly net income (loss) per share in fiscal 2002 does not total to the annual amount due to rounding and to changes in the average common shares outstanding.

	Fiscal Quarters				
	First	Second	Third	Fourth	Total
Fiscal 2001:					
Operating revenues	**$170,980**	**$244,256**	**$146,623**	**$98,007**	**$659,866**
Less: Purchased gas and fuel	110,631	167,317	90,043	53,898	421,889
Cost of sales and services	3,470	5,033	6,039	5,487	20,029
Energy taxes	4,005	4,784	2,459	1,670	12,918
Total operating margins	**52,874**	**67,122**	**48,082**	**36,952**	**205,030**
Other Operating Expenses					
Operations and maintenance	25,346	23,675	29,716	25,878	104,615
Depreciation and amortization	7,012	7,099	7,572	4,780	26,463
Taxes, other than income taxes	1,951	1,864	1,871	1,588	7,274
Total other operating expenses	34,309	32,638	39,159	32,246	138,352
Operating Income	**18,565**	**34,484**	**8,923**	**4,706**	**66,678**
Other income and expense, net	378	345	556	188	1,467
Income from before Interest and taxes	**18,943**	**34,829**	**9,479**	**4,894**	**68,145**
Interest expense	5,821	5,398	5,414	5,490	22,123

Income (loss) from Continuing Operations before Interest and taxes	**13,122**	**29,431**	**4,065**	**(596)**	**46,022**
Income tax expense (benefit)	5,530	12,074	1,435	(373)	18,666
Income (loss) from Continuing Operations	**7,592**	**17,357**	**2,630**	**(223)**	**27,356**
Discontinued operations, net of taxes	719	(3,461)	(6,024)	(2,277)	(11,043)
Net Income (Loss)	**$8,311**	**$13,896**	**$(3,394)**	**$(2,500)**	**$16,313**
Net Income (Loss) Per Share	$0.64	$1.07	$(0.25)	$(0.18)	$1.22

Quarterly net income (loss) per share in fiscal 2001 does not total to the annual amount due to rounding and to changes in the average common shares outstanding.

	Fiscal Quarters				
	First	**Second**	**Third**	**Fourth**	**Total**
Fiscal 2000:					
Operating revenues	**$127,025**	**$174,698**	**$99,447**	**$97,574**	**$498,744**
Less: Purchased gas and fuel	72,054	101,519	58,468	58,018	290,059
Cost of sales and services	2,981	4,336	3,064	4,193	14,574
Energy taxes	3,602	4,290	1,994	1,685	11,571
Total operating margins	**48,388**	**64,553**	**35,921**	**33,678**	**182,540**
Other Operating Expenses					
Operations and maintenance	24,206	22,502	21,334	28,779	96,821
Depreciation and amortization	7,181	6,884	6,550	7,200	27,815
Taxes, other than income taxes	1,685	2,208	1,826	1,493	7,212
Total other operating expenses	33,072	31,594	29,710	37,472	131,848
Operating Income (Loss)	**15,316**	**32,959**	**6,211**	**(3,794)**	**50,692**
Other income and expense, net	30	(31)	47	2,943	2,989
Income from before Interest and taxes	**15,346**	**32,928**	**6,258**	**(851)**	**53,681**
Interest expense	5,378	5,124	3,881	4,299	18,682
Income (loss) from Continuing Operations before Interest and taxes	**9,968**	**27,804**	**2,377**	**(5,150)**	**34,999**
Income taxes	4,112	11,489	1,052	(2,297)	14,356
Income (loss) from Continuing Operations	**5,856**	**16,315**	**1,325**	**(2,853)**	**20,643**
Discontinued operations, net of taxes	(503)	1,227	(513)	(296)	(85)
Net Income (Loss)	**$5,353**	**$17,542**	**$ 812**	**$(3,149)**	**$20,558**
Net Income (Loss) Per Share	$0.42	$1.36	$0.06	$(0.24)	$1.59

Quarterly net income (loss) per share in fiscal 2000 does not total to the annual amount due to rounding.

SCHEDULE II

NUI Corporation and Subsidiaries

Valuation and Qualifying Accounts

For each of the Three Years in the

Period Ended September 30, 2002

(Dollars in thousands)

		Additions	
Description			

	Balance, Beginning of Period	Charged to Costs and Expenses	Other	Deductions	Balance, End of Period
2002					
Allowance for doubtful accounts	$ 3,875	$ 6,970	$ 1,438[a,c]	$ 7,091[b]	$ 5,192
Environmental remediation reserve	$ 32,559	——	2,453	1,160	$ 33,852
Restructuring reserve	$ ——	1,203		919	$ 284
2001					
Allowance for doubtful accounts	$ 1,383	$ 5,734	$3,271[a,c]	$ 6,513[b]	$ 3,875
Environmental remediation reserve	$ 33,361	——	——	802	$ 32,559
2000					
Allowance for doubtful accounts	$ 1,586	$ 3,934	$ 1,588[a]	$ 5,725[b]	$ 1,383
Environmental remediation reserve	$ 33,981	——	——	620	$ 33,361

[a] Recoveries
[b] Uncollectible amounts written off.
[c] Acquisitions

Note: The schedule above excludes amounts included within Assets and Liabilities Held for Sale on the Consolidated Balance Sheets.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Bedminster, State of New Jersey, on the day of December 30, 2002.

NUI CORPORATION

By: JAMES R. VAN HORN

Chief Administrative Officer,

General Counsel and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

JOHN KEAN, JR.	President, Chief Executive Officer and Director (Principal executive officer)	December 30, 2002
JOHN KEAN	Chairman and Director	December 30, 2002
A. MARK ABRAMOVIC	Senior Vice President, Chief Operating Officer and Chief Financial Officer (Principal financial and accounting officer)	December 30, 2002
JAMES J. FORESE	Director	December 30, 2002
DR. VERA KING FARRIS	Director	December 30, 2002
J. RUSSELL HAWKINS	Director	December 30, 2002
BERNARD S. LEE	Director	December 30, 2002
R. V. WHISNAND	Director	December 30, 2002

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Kean, Jr., certify that:

1. I have reviewed this annual report on Form 10-K of NUI Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 30, 2002

/s/ John Kean, Jr.
President and

Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, A. Mark Abramovic, certify that:

1. I have reviewed this annual report on Form 10-K of NUI Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: December 30, 2002

/s/ A. Mark Abramovic
Chief Operating Officer and

Chief Financial Officer

CONFORMED COPIES

ASSET PURCHASE AGREEMENT AND PLAN OF REORGANIZATION

By and Among

NUI CORPORATION,

NUI TELECOM, INC.,

NORCOM ACQUISITION, L.L.C.,

NORCOM, INC.

And

STOCKHOLDERS OF NORCOM, INC. NAMED HEREIN

Dated as of March 1, 2002

ASSET PURCHASE AGREEMENT AND PLAN OF REORGANIZATION

ASSET PURCHASE AGREEMENT AND PLAN OF REORGANIZATION (the "Agreement") dated as of March 1, 2002, by and among NUI Corporation, a New Jersey corporation ("NUI"), Norcom Acquisition, LLC, a New Jersey limited liability company (the "Buyer"), NUI Telecom, Inc., a New Jersey corporation ("NUI Telecom") and first tier subsidiary of NUI Capital Corp. ("NUI Capital"), Norcom, Inc., a Florida corporation (the Seller") and the stockholders of the Seller named herein (the "Stockholders").

WHEREAS, the Seller is in the business of providing local, long distance and data telecommunications services to its Customers (the "Business");

WHEREAS, the Seller wishes to transfer its Business and substantially all of its assets to Buyer and Buyer wishes to acquire the business and substantially all the assets of Seller on the terms and conditions set out herein in exchange for shares of common stock of NUI in a transaction (the "Transaction") which the Seller intends to qualify as a "reorganization" (a "C Reorganization") within the meaning of Section 368(a)(1)(C) of the Internal Revenue Code of 1986, as amended (the "Code"), with NUI Capital as the acquiring corporation under that section, it being contemplated and agreed by Seller, NUI, NUI Telecom and Buyer that Seller will, as soon as practical, thereafter, and as an integral part of the transaction, distribute the shares of NUI to the Stockholders in complete liquidation of Seller and dissolve;

WHEREAS, immediately following the acquisition by Buyer, consistent with Code Section 368(a)(2)(C), for federal income tax purposes, NUI Capital will transfer the acquired assets of the Seller to NUI Telecom, effected by having the Buyer merge with and into NUI Telecom with NUI Telecom surviving; and

WHEREAS, NUI, NUI Telecom, Seller and Buyer desire to make certain representations, warranties and covenants in connection with the transaction. Terms used in this Agreement shall have the meanings assigned such terms in Article XIII of this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

PURCHASE OF ASSETS

1.1 Purchase of Assets. Subject to the terms and conditions set forth in this Agreement, the Seller shall convey, transfer, assign and deliver to the Buyer, and the Buyer shall acquire and assume from the Seller, all of the Seller's right, title and interest in and to, and obligations under, the following of its assets used in or held for use by the Business (other than the Excluded Assets) as the same exist as of the applicable Closing Date, whether tangible or intangible and whenever and wherever located (the "Assets"):

(a) All accounts receivable and other rights to receive payments from any Customer of Seller arising from services performed by Seller on or after the date of this Agreement (the "Accounts Receivable");

(b) All rights, title and interest to all Customers of the Seller;

(c) All patents, trademarks, service marks, trade names and trade styles (including without limitation the name "Norcom" and "Norwegian Communications" (and all variations thereof)), all logos, drawings, technical data, product specifications, computer software, source codes, object codes, computer files, programs, blueprints, know–how, trade secrets and other proprietary rights and all goodwill associated therewith;

(d) All authorizations, permits, franchises and licenses related to the Business;

(e) All causes of action, chooses in action, rights of recovery and rights of set–off or offset of every kind and nature related to the Assets;

(f) All goodwill and all other intangible property related to the Business;

(g) Certain contracts of the Seller relating to the supply of telecommunications services of the Business by third party carriers on a wholesale basis and identified on Schedule 1.1(g) (the "Assigned Wholesale Contracts"), excluding specifically and without limitation, the Wholesale Services Agreement between CRG International, Inc. d.b.a. Network One (currently managed by One Star Long Distance, Inc., Network One together with One Star being referred to in this Agreement as "Network One/One Star") and the Seller, as amended, (the "Network One Contract") which shall not be assigned by Seller or assumed by Buyer;

(h) All contracts, licenses, software or other systems of the Seller relating to billing or collection of revenues of the Business;

(i) All marketing plans, marketing manuals, sales materials, promotional materials, catalogues and advertising and marketing literature and materials related to the Business;

(j) All business records and files, including without limitation customer lists and other identifications of former, existing and potential Customers and suppliers, mailing lists, sales information, Customer and supplier records, cost and pricing information, billing records, employment and personnel records and other records (including without limitation those maintained in computer tapes, disks or other computer retrievable formats), in each case as related to the Assets or the Business, whether maintained by such Seller or by others for such Seller, and the telephone numbers of such Seller used in the Business and bank accounts and post office boxes at which such Seller receives correspondence or remittances from Customers; and

(k) the net cash generated by the Business from services preformed by Seller on or after the date of this Agreement after payment by Seller of the expenses and liabilities of the Business solely related to services preformed by Seller on or after the date hereof listed on Schedule 1.4.

1.2 Assets Purchased Free of Liens. All of the Assets shall be sold, assigned, transferred, conveyed and delivered to the Buyer, free and clear of all liens, encumbrances, or claims.

1.3 Excluded Assets. All other assets owned or used by Seller in the Business not specially contained in Section 1.1 (the "Excluded Assets") shall not be conveyed, sold or transferred and are not included in the Assets, including accounts receivable from Customers of Seller for services preformed on or before the date of this Agreement and all cash collected by Seller from such accounts receivable and all collected amounts related to previously unbilled call detail records as provided in Section 7.3 and all deposits presently held by TMC, United States District Court for Eastern District of Louisiana and the claim against Network One/One Star for return of proceeds from the seized Letter of Credit and the damage claim against Network One/One Star and other items listed in Schedule 1.3.

1.4 Assumed Liabilities. Subject to the terms and conditions of this Agreement, upon the transfer of the Assets, the Buyer shall assume, agree to pay, perform, discharge and indemnify the Seller against, and otherwise be responsible for, those categories of liabilities and obligations of the Seller for services on or after the date of this Agreement described on Schedule 1.4 (the "Assumed Liabilities"). The Buyer shall promptly pay and satisfy all Assumed Liabilities in accordance with their respective terms as and when they become due from and after the date of this Agreement; provided, however, that the foregoing shall not preclude the Buyer from contesting in good faith the amount, payment or other terms of such Assumed Liabilities.

1.5 Excluded Liabilities. Except with respect to the Assumed Liabilities, it is expressly agreed and understood that the Buyer is assuming no other liability or obligation of the Seller of any kind or nature, whether known or unknown, whether fixed or contingent, and however arising, and that the transfer of the Assets pursuant to this Agreement shall be free and clear of all liabilities, liens or other obligations of Seller any kind whatsoever, other than the Assumed Liabilities (collectively, the "Excluded Liabilities"). Specifically, by way of example and not of limitation, the Buyer is not assuming any liabilities or obligations of any nature whatsoever relating to or associated with the Network One Contract, Network One/One Star and any legal or other professional fees incurred in connection therewith nor any liability for Taxes included within Assumed Liabilities or severance claims, if any, made by employees of the Seller.

ARTICLE II

CONSIDERATION

2.1 Purchase Price Determination. Subject to the conditions set forth in this Article II and subject to the adjustment provided in Sections 3.1 and 3.2 below, the total purchase price (the "Purchase Price") payable at the Closing shall be comprised of: (i) two times (2X) Base Monthly Revenue (as defined) attributed to the Customer's of Seller, (ii) two and one–half times (2.5X) Base

Monthly Revenue attributable to goodwill and (iii) one–half times (.5X) Base Monthly Revenue attributable to other intangibles for a total of five times (5x) the Seller's existing Base Monthly Revenues as of the bill run at April 30, 2002, which reflects April 2002 actual usage. "Base Monthly Revenues" means those Net Revenues produced from retail charges associated with a single calendar month's long distance, local or data service usage by Customers of the Seller and more fully described in Schedule 2.1. For purposes of the preceding sentence, Customers of the Seller are deemed to be those businesses and individuals for which the Seller possesses a signed Letter of Authorization ("LOA") allowing the Seller to act as their local, long distance or data telecommunications provider.

2.2 Manner of Payment.

(a) Subject to the conditions set forth in this Agreement and subject to the adjustments provided in Section 3.1 and 3.2 below, the total Purchase Price to be paid for the Assets shall be paid in shares of NUI common stock, no par value ("NUI Common Stock") equal to the quotient of:

(i) the total Purchase Price divided by

(ii) the average closing price of NUI Common Stock as reported on the New York Stock Exchange for the first 20 of the 25 consecutive trading days immediately preceding the date regulatory approval is deemed effective from the Public Service Commission in the State of Maine for authority for Seller to transfer the Assets to Buyer as evidenced by an opinion of regulatory counsel to the Seller concurred by regulatory counsel to the Buyer (the "Average Closing Price").

(b) No fractional shares of NUI Common Stock will be issued and, in lieu thereof, any stockholder entitled to receive a fractional share of NUI Common Stock shall be paid in cash an amount equal to the value of such fractional shares, which shall be calculated as the fraction of the share of NUI Common Stock that would otherwise be issued multiplied by the Average Closing Price.

2.3 Purchase Price Delivery.

(a) If the Closing occurs prior to the settlement or judicial resolution of the dispute relating to the Network One Contract and Network One/One Star in form and substance reasonably satisfactory to NUI Telecom and its counsel (the "Network One Resolution"), at the Closing, the Buyer shall deliver the Purchase Price in shares of NUI Common Stock valued based on the Average Closing Price as follows:

(i) as to the Purchase Price relating to the purchase and sale of all Assets for which all Regulatory Approvals have been obtained (the "Completed Regulatory Approvals Purchase Price"), such Completed Regulatory Approvals Purchase Price shall be delivered by the Buyer as follows:

(1) a portion of the Completed Regulatory Approvals Purchase Price equal to the amount of the Bonus Payments associated with Agents on Schedule 8.2(j) shall be delivered to the Escrow Agent to be placed in Escrow as security for the payment of all such Bonus Payments (the "Bonus Escrow");

(2) a portion of the Completed Regulatory Approvals Purchase Price equal to 30% of the total Purchase Price shall be delivered to the Escrow Agent to be placed in Escrow as security for the dispute pending with Network One/One Star and the indemnification obligations of Seller under Section 11.1 (the "Indemnification Escrow");

(3) the balance of the Completed Regulatory Approvals Purchase Price shall be delivered to, or as directed by, the Seller, plus cash in lieu of fractional shares of NUI Common Stock, valued in accordance with Section 2.2 (b) hereof.

(ii) as to the remaining portion of the Purchase Price relating to all Assets for which Regulatory Approvals are pending, such Purchase Price shall be delivered to the Escrow Agent to be placed in Escrow to be held until receipt the Regulatory Approval (the "Regulatory Approval Escrow").

(b) If the Closing occurs after the Network One Resolution, at Closing, the Buyer shall deliver the Purchase Price in shares of NUI Common Stock valued based on the Average Closing Price as follows:

(i) as to the Completed Regulatory Approvals Purchase Price, such Completed Regulatory Approvals Purchase Price shall be delivered by the Buyer as follows:

(1) a portion of the Completed Regulatory Approvals Purchase Price equal to the amount of the Bonus Payments associated with Agents listed on Schedule 8.2(j) shall be delivered to the Escrow Agent to be placed in the Bonus Escrow;

(2) the balance of the Completed Regulatory Approvals Purchase Price paid at the Closing shall be delivered by the Buyer to, or as directed by, the Seller, plus cash in lieu of fractional shares of NUI Common Stock, valued in accordance with Section 2.2 (b) hereof; and

(ii) as to the remaining portion of the Purchase Price relating to all Assets for which Regulatory Approvals are pending, such Purchase Price shall be delivered to the Escrow Agent to be placed in the Regulatory Approval Escrow.

2.4 Accounting and Tax Treatment. The parties to this Agreement intend that the Transaction shall be treated as a purchase for accounting purposes and as a reorganization under Section 368(a)(1) (C) of the Code.

ARTICLE III

PURCHASE PRICE ADJUSTMENT AND ESCROW

3.1 Purchase Price Adjustment. Prior to Closing, the Purchase Price may be adjusted and increased or decreased dollar for dollar based on a usage adjustment as described in this Section 3.1 and Section 3.2. Customer usage shall be determined based on the Base Monthly Revenue for each month of the three months immediately following April 30, 2002. The Base Monthly Revenue for each of April, May, June and July 2002 will be divided by the number of Equivalent Business Days (each an "EBD") set forth on Schedule 3.1 in such month to determine the revenue per EBD for each such month. The revenue per EBD for each of May, June and July 2002 will be averaged and the average so determined will be compared with the revenue per EBD in the April 2002 usage period. If the average revenue per EBD for the three month period is less than 97% or greater than 103% of the revenue per EBD for the April 2002 usage period, the percentage amount by which the average revenue per EBD is greater than 103% or is lower than 97% will be multiplied by the EBD's in the April 2002 usage period to establish the shortfall or overage revenue amount. This shortfall or overage revenue amount will be the usage difference and will be multiplied by five times (5X) (the "Positive Usage Adjustment" or the "Negative Usage Adjustment") The Seller shall not be penalized for attrition of Customers between May 1, 2002 and July 31, 2002 resulting from actions on the part of the Buyer in the management of the Business during such period which would be deemed commercially unreasonable or negligent in accordance with applicable industry standards. An example of the Usage Adjustment calculation is set forth on Schedule 3.1(a).

3.2 Purchase Price Adjustment Procedures.

(a) On August 15, 2002 (the "Reconciliation Date"), the Buyer shall cause its accountants to prepare a schedule (the "Schedule") showing the amount of the Positive Usage Adjustment or the Negative Usage Adjustment, as the case may be, determined as provided in Section 3.1 above. As soon as practicable, but in no event later than twenty–one (21) days following the Reconciliation Date, Buyer shall deliver the Schedule to Seller. Seller shall have until fifteen (15) days following receipt of the Schedule from Buyer, to present in writing to Buyer any objections Seller may have to the matters set forth therein ("Seller's Objections"), which objections shall be set forth in reasonable detail. If Buyer does not receive such Seller's Objections on or before the fifteenth (15) day following the receipt by the Seller of such Schedule, the Positive Usage Adjustment or the Negative Usage Adjustment, as the case may be, shall be deemed accepted and approved by Seller. If the Seller delivers Seller's Objections during such fifteen (15) day period, Buyer's and Seller's respective accounting firms shall attempt to resolve the matters in dispute and, if resolved, such firms shall send a joint notice to Buyer and Seller stating the manner in which the dispute was resolved. If a dispute cannot be resolved by Buyer and Seller or by their respective accounting firms prior to forty–five (45) days following the Reconciliation Date, such dispute shall be submitted to a third accounting firm mutually chosen by the Buyer's and Seller's accounting firms, which firm shall make a final and binding determination as to such matter or matters. The third accounting firm shall send its written determination to Buyer, Seller and their respective accounting firms on or before the sixtieth day following the Reconciliation Date. Buyer and Seller agree to cooperate with each other and each other's representatives in order that the Positive Usage Adjustment or the Negative Usage Adjustment, as the case may be, may be timely performed and that any disputes may be resolved. The fees of Seller's accounting firm shall be paid by Seller, the fees of Buyer's accounting firm shall be paid by Buyer and the fee of any third accounting firm shall be paid one half by Buyer and one half by Seller. The amount reflected as the Positive Usage Adjustment or the Negative Usage Adjustment, as the case may be, shall be referred to herein as the "Reconciliation Amount." The completion of the procedures set forth above shall be referred to as the "Reconciliation Procedures."

(b) If the Reconciliation Amount is a positive amount, the Purchase Price paid to the Seller shall increase on a dollar for dollar basis for such amount delivered in shares of NUI Common Stock calculated using the Average Closing Price and, if the Reconciliation Amount reflects a negative amount, the Purchase Price paid by the Buyer shall be reduced on a dollar for dollar basis for such amount in shares of NUI Common Stock calculated using the Average Closing Price.

3.3 Indemnity Escrow. If the Closing has occurred and shares of NUI Common Stock were placed in the Indemnification Escrow, then upon the Network One Resolution, the appropriate parties to the Escrow Agreement shall direct the Escrow Agent to distribute the shares of NUI Common Stock held in escrow pursuant to the Escrow Agreement attributable to such event as directed by the Buyer and the Seller. If any Claim for indemnifiable Losses under Section 11.1 or Section 11.2 is pending on the date of distribution pursuant to the preceding sentence and the aggregate amount of such indemnifiable Losses when settled or paid would produce an indemnification amount, then the parties shall mutually agree upon the number of shares of NUI Common Stock to be held pursuant to the Escrow Agreement. In the event the parties shall fail to agree upon the shares of NUI Common Stock to be retained the dispute resolution provisions set forth in Section 11.4 shall be applied to resolve the foregoing matter or matters. Upon final resolution of all pending Claims which are indemnifiable Losses under Sections 11.1 and 11.2, and the parties hereto shall direct the Escrow Agent to release from Escrow the shares of NUI Common Stock retained based upon a final determination of the foregoing.

3.4 Regulatory Approval Escrow. As a condition to the release of the shares from the Regulatory Approval Escrow, the Seller and the Buyer shall deliver the compliance certificates described in Section 9.2 (b) and 9.3(c), respectively, stating that all representations and warranties are true and correct as of the date of receipt of the Regulatory Approval and all other obligations have been complied with as of such date and the Seller shall deliver an opinion of counsel to the Seller dated as of the date of the related Regulatory Approval, to the effect that all Regulatory Approvals have been obtained. Following the Closing, upon receipt of Regulatory Approvals for the number of states which will result in the release from the Regulatory Approval Escrow of a minimum of 1000 shares of NUI Common Stock and upon the satisfaction of the conditions in the preceding sentence, the appropriate parties to the Escrow Agreement shall direct the Escrow Agent to distribute the shares of NUI Common Stock held pursuant to the Regulatory Approval Escrow. Each release of shares of NUI Common Stock from the Regulatory Approvals Escrow shall be made in lots of 1000 shares, except for the last release which shall be of the remaining shares.

3.5 Bonus Escrow. Concurrently with the payment of any Bonus Payment owed by Seller under the related agent contract listed on Schedule 8.2(j), Seller shall obtain a full release from each such Agent listed on Schedule 8.2(j) for the benefit of Seller (each a "Seller's Release"). Upon presentation of a Seller's Release from an Agent, Buyer and Seller shall jointly direct the Escrow Agent to release from the Bonus Escrow, Escrow Shares having a value based on the Average Closing Price equal to the amount paid to an Agent in respect of such Release.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to the Buyer that:

4.1 Corporate Organization.

(a) The Seller is a corporation duly organized, validly existing and in good standing under the laws of the state of its incorporation and the Seller has all requisite power and authority to carry on its business as it is now being conducted and to own, lease and operate its properties where such properties and assets are now owned, leased or operated. The Seller is duly qualified or licensed to do business as a foreign corporation in good standing in each jurisdiction where the ownership or operation of the Assets or the Business requires such qualification and each such jurisdiction set forth in Schedule 4.1. The Certificate of Incorporation and Bylaws of the Seller, copies of which have previously been delivered to the Buyer, are true and complete copies of such documents as in effect as of the date of this Agreement.

(b) The Seller has no direct or indirect Subsidiaries. Except as set forth on Schedule 4.01, the Seller does not own, control or hold with the power to vote, directly or indirectly of record, beneficially or otherwise, any capital stock or any equity or ownership interest in any corporation, partnership, association, joint venture or other entity, except for less than five percent (5%) of any equity security registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

4.2 Authorization. No further act or proceeding on the part of the Seller is necessary to authorize this Agreement or the other Closing Documents or the consummation of the transactions contemplated hereby and thereby. This Agreement constitutes and, when executed and delivered, the other Closing Documents will constitute, valid and binding agreements of the Seller enforceable against the Seller in accordance with their respective terms.

4.3 No Violation. Except as disclosed in Schedule 4.3, neither the execution and delivery of this Agreement by the Seller, nor the consummation by the Seller of the transactions contemplated hereby or thereby, nor compliance by the Seller with any of the terms or provisions hereof or thereof, will (i) violate, conflict with or result in a breach of any provision of the Certificate of Incorporation or Bylaws of the Seller, (ii) assuming that the consents and approvals referred to in Section 4.4 hereof are duly obtained, (x) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree, license or injunction applicable to the Seller, or any of its properties or assets, or (y) violate, conflict with, result in a breach of any provisions of or the loss of any benefit under, constitute a default (or any event, which, with notice or lapse of time, or both would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any lien, pledge, security interest, charge or other encumbrance upon any of the properties or assets of the Seller under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which the Seller is a party, or by which the Seller or any of its properties or assets may be bound or affected.

4.4 Consents and Approvals. Except for such filings, authorizations, consents or approvals as may be set forth in Schedule 4.4, no consents or approvals of, or filings or registrations with, any court, administrative agency, regulatory agency or commission or other governmental authority or instrumentality (each a "Governmental Entity") or with any third party are necessary in connection with the execution and delivery by the Seller of this Agreement and the consummation by the Seller of the transaction contemplated hereby.

4.5 Ownership of the Assets. Except as disclosed on Schedule 4.5, at the Closing the Seller is the owner of the Assets free and clear of all liens, encumbrances, charges and assessments of any nature. Except as disclosed on Schedule 4.4, the Assets are not subject to any restrictions with respect to transferability. The Seller has full power and authority to assign and transfer the Assets to the Buyer in accordance with the terms of this Agreement without obtaining the consent or approval of any other Person or Governmental Entity (other than the consents set forth in Schedule 4.4, all of which on the Closing Date have been obtained and on the Closing Date will be in full force and effect), and the delivery of the Assets to the Buyer pursuant to this Agreement will transfer valid title thereto, free of all liens, encumbrances, charges and assessments of any kind.

4.6 Financial Statements.

(a) The Seller has previously delivered to the Buyer copies of the balance sheets of the Seller as of December 31, 1999, December 31, 2000 and December 31, 2001, and the related statements of income, changes in stockholders' equity and cash flows for the fiscal years 2000 through 2001 inclusive (the "Financial Statements"). The Financial Statements of the Seller have been or will be prepared in accordance with GAAP consistently applied during the periods involved comply, as of their respective dates in all material respects with applicable accounting requirements, and fairly present in all material respects the financial position of the Seller as of the dates thereof and the income and retained earnings and sources and applications of funds for the periods then ended.

(b) Except as set forth in Schedule 4.6(b) hereto for liabilities incurred since December 31, 2001 in the ordinary course of business consistent with past practice and otherwise set forth on Schedule 4.6(b) hereto, the Seller does not have any liabilities or obligations of any nature whatsoever (whether absolute, accrued, contingent or otherwise) which are not adequately reserved or reflected on the Financial Statements of the Seller for the quarter ended December 31, 2001, and there do not exist any circumstances that could reasonably be expected to result in such liabilities or obligations.

(c) Schedule 4.6(c)(i) contains the Seller's accounts receivable report as of the date hereof, which report is true and accurate in all material respects and has been prepared in accordance with the Seller's normal practice. The accounts receivable reflected in the report contained in Schedule 4.6(c)(i) and all the accounts receivable arising after such date are or will be valid and genuine from bona fide transactions in the ordinary course of the Seller's business and have been or will be recorded in accordance with the Seller's historical revenue recognition policy. Except as set forth on Schedule 4.6(c)(ii), no account receivable has been assigned or pledged to any other person and no defense or set off to any such account receivable has been asserted by the account obligor. The allowance for bad debt for the Seller's accounts receivable set forth on the unaudited balance sheet of Seller for the month ended prior to the date of this Agreement (the "Balance Sheet of the Seller") is adequate and in accordance with the historical accounting practices of the Seller.

4.7 Absence of Certain Changes or Events. Except as set forth in Schedule 4.7, since December 31, 2001, there has not been any Material Adverse Effect on the Seller (including without limitation any loss of employees or Customers that has had a Material Adverse Effect, or that is reasonably likely to have a Material Adverse Effect, on the Seller) and, to the best knowledge of the Seller, no fact or condition exists which is reasonably likely to cause such a Material Adverse Effect on the Seller in the future.

4.8 Legal Proceedings. Except as set forth in Schedule 4.8, the Seller is not a party to any, and there are no pending or, to the best knowledge of the Seller, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature against or affecting the Seller or any property or asset of the Seller, before any court, arbitrator, administrative agency or Governmental Entity, domestic or foreign, which would, if resolved against the Seller, either individually or in the aggregate, have a Material Adverse Effect on the Seller, and no facts or circumstances have come to the Seller's attention which have caused it to believe that such a claim, action, proceeding or investigation against or affecting the Seller which would, either individually or in the aggregate, have a Material Adverse Effect on the Seller could reasonably be expected to occur. Neither the Seller nor any property or asset of the Seller is subject to any order, writ, judgment, injunction, decree, determination or award which restricts its ability to conduct business in any area in which it presently does business or has or could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect on the Seller. The Seller is not aware of any claim, or any facts or circumstances which may give rise to a claim against the Seller or any employee of the Seller (i) arising from personal injuries sustained by a present or former employee of the Seller in the course of employment; or (ii) otherwise compensable under a workers' compensation policy ("Workers' Compensation Claims").

4.9 Taxes. Except as set forth in Schedule 4.9, within the times and in the manner prescribed by law, Seller has filed all domestic and foreign, federal, state and local tax returns required by law and has paid all taxes, assessments and penalties due and payable. There are no present disputes as to taxes of any nature payable by Seller.

4.10 Customers and Sales. Schedule 4.10 is a correct and current list of all Customers of Seller as of the end of month preceding the date of this Agreement. Except as indicated in Schedule 4.10, Seller has no information and is not aware of any facts indicating that any of these Customers intend to cease doing business with Seller or materially alter the amount of the business that they are presently doing with Seller.

4.11 Compliance with Laws. Except as set forth in Schedule 4.11, the Seller holds all material licenses, franchises, permits and authorizations necessary for the lawful conduct of its business under and pursuant to all, and has complied with and is not in conflict with, or in default or violation of any (a) statutes, codes, ordinances, laws, rules, regulations, orders, judgments, injunctions or decrees, published policies and guidelines of any Governmental Entity, applicable to the Seller or by which any property or asset of the Seller is bound or affected or (b) any note, bond, mortgage, indenture, deed of trust, contract, agreement, lease, license, permit, franchise or other instrument or obligation to which the Seller is a party or by which the Seller or any property or asset of the Seller is bound or affected; and the Seller neither knows of, nor has received notice of, any violations of any the above. Schedule 4.11 hereto contains a list of all federal and state licenses, franchises, permits and authorizations necessary for the lawful conduct of its business.

4.12 Certain Contracts.

(a) Except as set forth in Schedule 4.12(a)(i) hereto, the Seller is not a party to or bound by any contract, arrangement, commitment or understanding (whether written or oral): (i) with respect to the employment of any director, officer or employee, or with respect to the employment of any consultant which cannot be terminated without payment, (ii) which, upon the consummation of the transactions contemplated by this Agreement, will result in any payment (whether of severance pay or otherwise) becoming due from the Seller to any officer or employee of the Seller, (iii) which is a material contract (as defined in Item 601(b)(10) of Regulation S–B of the Securities and Exchange Commission) ("SEC") to be performed after the date of this Agreement that has not otherwise been disclosed in writing to the Buyer, (iv) which is a consulting or other agreement (including agreements entered into in the ordinary course and data processing, software programming and licensing contracts) not terminable on ninety (90) days or less notice, (v) which restricts the conduct of any line of business by the Seller, (vi) with or to a labor union or guild (including any collective bargaining agreement), or (vii) any stock option plan, stock appreciation rights plan, restricted stock plan or stock purchase plan any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement, or the value of any of the benefits of which will be calculated on the basis of any of the

transactions contemplated by this Agreement. The Seller has previously delivered to the Buyer true and complete copies of all employment, consulting and deferred compensation agreements which are in writing and to which the Seller is a party. Each contract, arrangement, commitment or understanding of the type described in this section is referred to herein as a "Seller Contract".

(b) Except as set forth in Schedule 4.12(b) hereto, (i) each Seller Contract is legal, valid and binding upon the Seller, assuming due authorization of the other party or parties thereto, and in full force and effect, (ii) the Seller has in all material respects performed all obligations required to be performed by it to date under each such Seller Contract, and (iii) no event or condition exists which constitutes or, after notice or lapse of time or both, would constitute, a material default on the part of the Seller under any such Seller Contract.

4.13 Agent Contracts.

The Seller has previously delivered a certificate containing a true and complete list of all agents and resale agreements ("Agent Contracts") between the Seller and any agent and sub–agent (individually, an "Agent" and, collectively, the "Agents") and a list of the amounts of standard commission (the "Standard Commission") and bonus and incentive payments (the "Bonus Payments") due pursuant to such Agent Contracts. The Seller hereby confirms that the certification of Agent Contracts and other information is true and correct in all respects. The Seller hereby represents that, other than Coastal Connections Corporation, there is no Agent who has any claim of right, title or interest in or to any of the Customers. The Seller shall pay or make provision for payment of all Bonus Payments associated with Agents on Schedule Schedule 8.2(j) prior to Closing. Except as indicated therein, Seller has no information and is not aware of any facts indicating that any of these Agents intend to cease doing business with Seller or materially alter the amount of the business that they are presently doing with Seller.

4.14 Intentionally Left Blank

4.15 Properties.

(a) The Seller does not own any real property. Except as set forth in Schedule 4.15(a) hereto, the Seller has good and marketable title to all other property owned by it and included in the balance sheet of the Seller for the period ended December 31, 2001, and owns such property subject to no encumbrances, liens, security interests, pledges or title imperfections except for (i) those items that secure liabilities that are reflected in such balance sheet or the notes thereto, (ii) statutory liens for amounts not yet delinquent or which are being contested in good faith, and (iii) those items that do not, individually or in the aggregate, have a Material Adverse Effect on the Seller or which do not and will not interfere with the use of the property as currently used or contemplated to be used by the Seller, or the conduct of the business of the Seller.

(b) The Seller has not received any notice of a violation of any applicable zoning or environmental regulation, ordinance or other law, order, regulation or requirement relating to its operations or its properties and, to the knowledge of the Seller, there is no such violation that is reasonably likely to have a Material Adverse Effect.

(c) Schedule 4.15(c) contains a true, complete and correct list of all leases pursuant to which the Seller leases any real property and all material leases pursuant to which the Seller leases any personal property, either as lessee or as lessor (the "Seller Leases"). Assuming due authorization of the other party or parties thereto, each of the Seller Leases is valid and binding on the Seller and, to the best of the Seller's knowledge, valid and binding on and enforceable against all other respective parties to such leases, in accordance with their respective terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Except to the extent such breaches, defaults or events of default do not or will not have a Material Adverse Effect on the Seller and which do not or will not interfere with the use of any property as currently used or contemplated to be used by the Seller or the conduct of the business of the Seller, there are not under such Seller Leases any existing breaches, defaults or events of default by the Seller, nor has the Seller received notice of, or made a claim with respect to, any breach or default by any other party to such Seller Leases. The Seller enjoys quiet and peaceful possession of all such leased properties occupied by it as lessee.

4.16 Labor Matters. The Seller is not a party to any collective bargaining or other labor union or guild contract nor has the Seller been approached by any collective bargaining or other labor union or guild seeking to enter into a contract with the Seller. There is no pending or, to the best knowledge of the Seller, threatened, labor dispute, strike or work stoppage against the Seller which may interfere with the business activities of the Seller. Neither the Seller nor any of its representatives or employees has committed any unfair labor practices in connection with the operation of the business of the Seller, and there is no pending or, to the best knowledge of the Seller, threatened charge or complaint against the Seller by the National Labor Relations Board or any comparable state agency. Except as set forth on Schedule 4.16 hereto, to its knowledge, the Seller has not hired any illegal aliens as employees. To its knowledge, the Seller has not discriminated on the basis of race, age, sex or otherwise in its employment conditions or practices with respect to its employees. There are no race, age, sex or other discrimination complaints pending, or, to the knowledge of the Seller, threatened against the Seller by any employee, former or current, before any domestic (federal, state or local) or foreign board, department, commission or agency nor, to the knowledge of the Seller, does any basis therefor exist.

4.17 Intellectual Property. The Seller owns or possesses valid and binding licenses and other rights to use without payment of any material amount all material patents, copyrights, trade secrets, trade names, service marks, trademarks, domain names, software

and other intellectual property used in its business, which are set forth in Schedule 4.17 hereto; the Seller has not received any notice of conflict with respect thereto that asserts the right of others. The Seller has performed in all material respects all the obligations required to be performed by it with respect to the items of intellectual property set forth in Schedule 4.17 hereto and are not in material default under any contract, agreement, arrangement or commitment relating to any of the foregoing.

4.18 Agreements with Regulatory Agencies. The Seller is not subject to any cease–and–desist or other order issued by, or is a party to any written agreement, consent agreement or memorandum of understanding, commitment letter, suspension order, or similar undertaking (each a "Regulatory Agreement") with any regulatory agency or any other Governmental Entity that restricts the conduct of its business in any material respect, nor has the Seller been notified by any regulatory agency or any other Governmental Entity that it is considering issuing or requesting any Regulatory Agreement.

4.19 Books and Records. The books of account, minute books and other records of the Seller, all of which have been made available to the Buyer are complete and correct and have been maintained in accordance with sound business practices, including the maintenance of an adequate system of internal controls. The minute books of the Seller contain accurate and complete records of all meetings held of, and corporate action taken by the stockholders, the Board of Directors of the Seller and any committee thereof, and no meeting of any such stockholders, Board of Directors or committee thereof has been held for which minutes have not been prepared and are not contained in such minute books.

4.20 Regulatory Approvals. Schedule 4.20 sets forth all telecommunications approvals and other material regulatory approvals which must be obtained by Seller and Buyer to enable Buyer to purchase the Assets and operate the Business on and after the Closing Date (the "Regulatory Approvals").

4.21 Adequacy of Assets. The Assets constitute all of the assets held for use or used in connection with the Business as currently conducted by the Seller (other than the Excluded Assets) and the Assets are adequate to enable the Buyer to conduct the Business as currently conducted by the Seller.

4.22 Brokers Fees. Neither the Seller nor any of its officers or directors, has employed any broker or finder or incurred any liability for any broker's fees, commissions or finder's fees in connection with any of the transactions contemplated by this Agreement.

4.23 Disclosure. No representation or warranty contained in this Agreement or any schedule to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein or therein, in light of the circumstances in which they are made, not misleading.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF NUI, NUI TELECOM AND BUYER

NUI, NUI Telecom and Buyer hereby, jointly and severally, represent and warrant to the Seller as follows:

5.1 Corporate Organization and Qualification.

(a) NUI is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. NUI has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on NUI. The Certificate of Incorporation and Bylaws of NUI, copies of which have previously been delivered to the Seller, are true and complete copies of such documents as in effect as of the date of this Agreement.

(b) NUI Telecom is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey. NUI Telecom has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on NUI Telecom. The Certificate of Incorporation and Bylaws of NUI Telecom, copies of which have previously been delivered to the Seller, are true and complete copies of such documents as in effect as of the date of this Agreement.

(c) Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of New Jersey. Buyer has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a Material Adverse Effect on Buyer. The Certificate of Formation and Operating Agreement of Buyer, copies of which have previously been delivered to the Seller, are true and complete copies of such documents as in effect as of the date of this Agreement. Under Treasury Regulation Section 301.7701–3(b)(1)(ii), Buyer is a domestic eligible entity with a single owner that is treated as disregarded as an entity from NUI Capital for federal income tax purposes. Buyer has not and covenants not to elect under Treasury Regulation Section 301.7701–3(c) to be classified as an association taxable as a corporation.

5.2 Capitalization.

(a) The authorized capital stock of NUI consists of 30,000,000 shares of NUI Common Stock and 5,000,000 shares of Series A Junior Participating Preferred Stock ("NUI Preferred Stock"). As of December 31, 2001, 13,998,937 shares of NUI Common Stock were issued and outstanding. All of the issued and outstanding shares of NUI Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights with no personal liability attaching to the ownership thereof.

(b) The authorized capital stock of NUI Telecom consists of 2,500 shares of common stock ("NUI Telecom Common Stock"). As of December 31, 2001, 2,500 shares of NUI Telecom Common Stock were issued and outstanding. All of the issued and outstanding shares of NUI Telecom Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights with no personal liability attaching to the ownership thereof. All issued and outstanding shares of NUI Telecom are owned by NUI Capital.

(c) All of the membership units of Buyer, as of the date hereof, are owned by NUI Capital.

5.3 Authority; No Violations.

(a) Each of NUI, NUI Telecom and Buyer have full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by NUI, NUI Telecom and Buyer and the consummation by NUI, NUI Telecom and Buyer of the transactions contemplated hereby have been duly and validly authorized by all requisite corporate action on the part of each of NUI, NUI Telecom and Buyer. No corporate proceedings on the part of NUI, NUI Telecom or Buyer are necessary to approve this Agreement and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by NUI, NUI Telecom and Buyer and (assuming the due authorization, execution and delivery by the Seller) constitutes a valid and binding obligation of NUI, NUI Telecom and Buyer, enforceable against NUI, NUI Telecom and Buyer in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) Neither the execution and delivery of this Agreement by each of NUI, NUI Telecom and Buyer, nor the consummation by NUI, NUI Telecom or Buyer, as the case may be, of the transactions contemplated hereby, nor compliance by either NUI, NUI Telecom or Buyer with any of the terms or provisions hereof, will (i) violate, conflict with or result in a breach of any provision of the Certificate of Incorporation or Bylaws of NUI or NUI Telecom or Certificate of Formation or Operating Agreement of Buyer, or (ii)(x) violate any statute, code, ordinance, rule, regulations, judgment, order, writ, decree or injunction applicable to the NUI, NUI Telecom or Buyer or any of their respective properties or assets, or (y) violate, conflict with, result in a breach of any provisions of or the loss of any benefit under, constitute a default (or any event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any lien, pledge, security interest, charge or other encumbrance upon any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which NUI, NUI Telecom or Buyer is a party, or by which they or any of their respective properties or assets may be bound or affected, except (in the case of clause (y) above) for such violations, conflicts, breaches or defaults which, either individually or in the aggregate, will not have a Material Adverse Effect on NUI or NUI Telecom.

5.4 Broker's Fees. Neither NUI, NUI Telecom nor Buyer, nor any of their respective officers or directors, has employed any broker or finder or incurred any liability for any broker's fee, commission or finder's fee in connection with any of the transactions contemplated by this Agreement.

5.5 SEC Reports. NUI has previously made available to the Seller an accurate and complete copy of each final registration statement, prospectus, report, schedule and definitive proxy statement of NUI filed since September 30, 2001 with the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act") or the Securities Act of 1933, as amended (the "Securities Act") (collectively, the "NUI SEC Reports"). NUI has timely filed (either by the required filing date or pursuant to Rule 12b–25 promulgated under the Exchange Act) all NUI SEC Reports and other documents required to be filed by it under the Securities Act and the Exchange Act and, as of their respective dates and all NUI SEC Reports complied with all of the rules and regulations of the SEC with respect thereto. As of their respective dates, no such NUI SEC Reports contained any 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, in light of the circumstances in which they were made, not misleading. Since September 30, 2001 there has not been any Material Adverse Effect on NUI and, to the best knowledge of NUI, no fact or condition exists which will, or is reasonably likely to, cause such a Material Adverse Effect on NUI in the future.

5.6 Disclosure. No representation or warranty contained in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein, in light of the circumstances in which they are made, not misleading. No information material to the transaction and which is necessary to make NUI's, NUI Telecom's and Buyer's representations and warranties hereto contained not misleading, has been withheld from, or has not been delivered in writing to the Seller.

ARTICLE VI

ADDITIONAL REPRESENTATIONS AND WARRANTIES OF STOCKHOLDERS OF SELLER

Each Stockholder and the Seller represents and warrants to NUI, NUI Telecom and Buyer as follows:

6.1 Investments in NUI Common Stock.

(a) Each Stockholder (together with such Stockholder's financial and other advisors, if any) and the Seller has such knowledge and expertise in financial and business matters that each Stockholder and the Seller is capable of evaluating the merits and risks of the acquisition of the NUI Common Stock by the Seller and by each Stockholder upon distribution thereof by Seller and of protecting the Stockholder's interests in connection therewith. Each Stockholder and the Seller has the ability to bear the economic risk of his investment in NUI Common Stock.

(b) Each Stockholder and the Seller has reviewed copies of NUI's proxy statement dated December 20, 2001, annual report on Form 10–K for the fiscal year ended September 30, 2001, and will review any additional documents filed with the SEC provided by NUI. Each Stockholder and the Seller has had an opportunity to discuss NUIs business, management and financial affairs with NUI's management.

(c) Each Stockholder and the Seller understands that the shares of NUI Common Stock to be issued to the Seller and distributed to the Stockholders in connection with the transaction will not be registered under the Securities Act and will not be registered or qualified under the securities or blue sky laws of any jurisdiction, except as contemplated by the NUI Registration Rights Declaration annexed as Exhibit A hereto. Each Stockholder and the Seller further understands that such shares are being issued to the Seller and distributed to Stockholders pursuant to exemptions contained in the Securities Act and other applicable securities and blue sky laws and that NUI's reliance on these exemptions is based in part on the representations of each Stockholder and the Seller made herein. Each Stockholder is acquiring shares of NUI Common Stock from the Seller for his own account and not with a view to, or for resale in connection with any distribution thereof in violation of any applicable law, and unless the shares have been registered in accordance with this Agreement and such registration is then in effect, each Stockholder has no present intention of selling, granting any participation in, or otherwise distributing the same in violation of any applicable law. Each Stockholder and the Seller understands that the shares of NUI Common Stock issued in the Transaction will constitute "restricted securities" within the meaning of Rule 144 under the Securities Act and that, as such, such shares must be held indefinitely unless they are subsequently registered under the Securities Act or unless an exemption from the registration requirements of the Securities Act is available. Each Stockholder and the Seller is also aware of the provisions of Rule 144 under the Securities Act that permit limited resales of shares purchased in a private placement subject to the satisfaction of certain conditions, including the existence of a public market for the shares, the availability of certain current public information about NUI, the resale occurring not less than one year after a party has purchased and paid for the security to be sold, the sale being effected through a "broker's transaction" or in transactions directly with a "market maker" (as provided by Rule 144(f) under the Securities Act) and the number of shares being sold during any three–month period not exceeding specified limitations.

(d) Without in any way limiting the representations set forth above, each Stockholder further agrees not to make any disposition of all or any portion of the shares of NUI Common Stock received by such Stockholder as a result of the Transaction unless and until:

(i) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement; or

(ii) the Stockholder (A) has notified NUI of the proposed disposition and has furnished NUI with a reasonably detailed statement of circumstances surrounding the proposed disposition and (B) if requested by NUI, has furnished NUI with an opinion of counsel, reasonably satisfactory to NUI, that such disposition will not require registration under the Securities Act.

(e) It is understood that each certificate representing shares of NUI Common Stock received by the Seller and the Stockholders as a result of the Transaction will bear a legend substantially to the following effect (in addition to any legend required under applicable state securities or blue sky laws):

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO NUI. THESE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

6.2 Execution; No Violation.

(a) This Agreement has been duly executed and delivered by each Stockholder, constitutes a valid and binding obligation of each Stockholder, and is enforceable against each Stockholder in accordance with its terms, subject to the effect of any applicable bankruptcy, reorganization, insolvency (including, without limitation, all laws relating to fraudulent transfers), moratorium or similar laws affecting creditors' rights and remedies generally and subject, as to enforceability, to the effect of general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) No filing, authorization, consent or approval of, or filing or registration with, any Governmental Entity or with any third party is necessary with respect to any Stockholder in connection with the execution, delivery and performance of this Agreement by each Stockholder.

ARTICLE VII

COVENANTS OF THE SELLER

7.1 Conduct of the Business Pending Closings. The Seller agrees that from the date hereof until the Closing Date or the date of transfer of the Assets, if subsequent to Closing, NUI Telecom and the Buyer shall have management control of the Business and Assets and, except as otherwise approved in writing by NUI Telecom and the Buyer:

a) *Conduct of Business in Normal Course*. Seller shall carry on its business and activities diligently and in substantially the same manner as they previously have been carried on, and shall not make or institute any unusual or novel methods of purchase, sale, lease, management, accounting or operation that will vary materially from the methods used by Seller as of the date of this Agreement unless otherwise approved by NUI Telecom and the Buyer. Without limiting the foregoing, the Seller shall operate the business in the same manner as Seller previously conducted the Business and shall make those changes as necessary to gain benefits of the synergies of the acquisition of the Assets making all changes determined appropriate by NUI Telecom and the Buyer.

b) *Preservation of Business and Relationships*. Seller shall use its best efforts, without making any commitments on behalf of NUI Telecom and the Buyer, to preserve its business organization intact, to keep available its present officers and employees unless otherwise directed by NUI Telecom and the Buyer in its discretion, and to preserve its present relationships with suppliers, Customers and others having business relationships with it.

c) *No Asset acquisition or disposition.* The Seller will make no material acquisition or disposition of Assets, nor incur any additional indebtedness related to the Business or the Assets.

d) *Liens*. The Seller shall not create and shall not permit any third party to create any liens, encumbrances and shall conduct the Business only in the normal course generally consistent with past practice.

e) *Contracts*. The Seller shall not enter into any leases, licenses, contracts, agreements, arrangements, understandings or other commitments relating to the Business or the Assets.

f) *Obligations*. The Seller shall continue to meet the contractual obligations of, and to pay noncontested obligations relating to the Business as they mature in the normal course. The Seller shall be obligated to pay or otherwise satisfy in the ordinary course all of the trade payables of the Business and shall fully pay or cause to be paid or otherwise satisfied all other claims or liabilities relating to the Assets or the Business incurred through the Closing Date with respect to the Business and the Assets sold and transferred on such date and through the transfer date with respect to the Business and the Assets sold and transferred subsequent to the Closing.

g) *Certain Carrier Charges.* The Buyer and the Seller shall review charges associated with the movement of customer lines from the Network One Contract to alternate carriers. Specific charges related to the movement of Toll Free (NASC fees) and the PIC change charges associated with long distance lines will be quantified as they relate to the traffic migration. Any such charges associated with this movement of lines off of the Network One Contract which are incurred after the date of this Agreement shall be an obligation of Seller and shall be paid by Seller at the time such charges are incurred by Seller.

h) *Suppliers*. The Seller shall use commercially reasonable efforts to maintain the business relations of the Seller with its suppliers, Customers and others with whom it has business relations relating to the Business generally consistent with past practice.

i) *Contracts.* The Seller shall not terminate or modify any existing contract with Customers or telecommunications suppliers; provided, however, Buyer shall not have any right or authority to exercise any control over decisions made by Seller with respect to the Network One Contract.

7.2 No Negotiations/Solicitations. The Seller will not directly or indirectly (through a representative or otherwise) solicit or furnish any information to any prospective buyer, or commence or conduct presently ongoing negotiations with any other party, or enter into any agreement with any other party concerning the sale of the Business or the Assets, or any material part thereof (an "Acquisition Proposal"); and the Seller shall promptly notify the Buyer of the receipt of any Acquisition Proposal and the terms thereof, provided that the Seller shall be under no obligation to disclose to the Buyer the identity of the author of any such Acquisition Proposal. The Seller shall not dispose of any interest in a material portion of the Business or the Assets except pursuant to this Agreement, as the same may be amended and in affect from time to time

7.3 Previously Unbilled Call Detail Records. The Buyer will seek to collect any revenues associated with Seller's outstanding accounts receivable arising prior to the date of this Agreement. The Buyer will also seek to collect any revenues associated with previously unbilled Call Detail Records ("CDR's") for customer usage before the April 2002 usage period on behalf of the Seller. With respect to revenue collected by the Buyer related to either the Seller's outstanding accounts receivable arising prior to the date of this Agreement or previously unbilled CDRs, such revenue will be remitted directly to the Seller less an agreed upon collection fee of one–half of one percent (.5%) of the revenue collected. The Buyer will apply its normal collection processes and procedures in order to collect as much of this revenue as is possible. The revenue associated with these collection efforts will not be

counted in the Base Monthly Revenue amounts considered for the Purchase Price calculations set forth in Section 2.1.

7.4 Due Diligence.

(a) The Seller shall afford to the Buyer, NUI Telecom and NUI, their respective counsel, accountants and other representatives full access to the Assets and the Assumed Liabilities, including personnel, offices, properties, books and records of the Seller in order that the Buyer, NUI Telecom and NUI may have full opportunity to make such investigations as they shall desire; and the Seller will cause its officers and accountants to furnish such additional financial and operating data, including but not limited to accounting records, inventory records, financial records, information systems, tax returns, fixed asset records, property records, leases and other information as the Buyer, NUI Telecom and NUI shall from time to time request relating to the Business, the Assets or the Assumed Liabilities; provided however, that any such investigation shall be conducted in such a manner as not to interfere unreasonably with the operations of the Business of the Seller.

(b) In addition to any other confidentiality covenants and obligations imposed under this Agreement, the parties agree to comply with the confidentiality agreement dated as of October 4, 2001 between NUI Telecom and the Seller (the "Confidentiality Agreement"), which is incorporated herein by reference. NUI, Buyer and each Stockholder shall comply with the Confidentiality Agreement as if originally a party thereto.

7.5 Disclosures and Announcements. No press releases or filings shall be made by any party without the prior written approval of the other parties. All notices to third–parties, including but not limited to, regulatory authorities, Customers, vendors and landlords, concerning this Agreement or the transactions contemplated hereby shall be jointly planned and coordinated by the parties hereto. Except as required by applicable law, the Seller, the Buyer, NUI Telecom and NUI shall not give notice to third parties or otherwise make any disclosure, public statement or releases concerning this Agreement or the transactions contemplated hereby except with the express written consent of the other parties. The Seller acknowledges and affirms that it has no legal or regulatory obligation to disclose the existence of this Agreement or the proposed transaction, except to those Persons set forth on Schedule 4.4.

7.6 Consents. The parties hereto shall cooperate with each other and use all reasonable efforts promptly to prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, and to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties and Governmental Entities including without limitation, all Regulatory Approvals, which are necessary or advisable to consummate the transactions contemplated by this Agreement (including without limitation all regulatory filings and approvals necessary to transfer ownership of the customer accounts and the Letters of Agency from Seller in each state where Seller currently has end users and at the Federal Communications Commission, which the parties hereby jointly agree shall be prepared and prosecuted by the law firm of Nowalsky, Bronston & Gothard, APLLC, on their joint behalf). The Buyer and Seller shall have the right to review in advance, and to the extent practicable each will consult with the other on, in each case subject to applicable laws relating to the exchange of information, all the information relating to the Seller, NUI Telecom, NUI or Buyer, as the case may be, which appear in any filing made with or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties hereto shall act reasonably and as promptly as practicable. The parties hereto agree that they will consult with the others with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other apprised of the status of matters relating to completion of the transactions contemplated herein. NUI (or NUI Telecom or Buyer, as the case may be) and the Seller shall promptly furnish each other with copies of written communications received by NUI, Buyer, NUI Telecom or Seller, as the case may be, from, or delivered by any of the foregoing to, any Governmental Entity in respect of the transactions contemplated hereby.

7.7 Schedules. The Seller shall have a continuing obligation to promptly notify the Buyer in writing with respect to any matter arising or discovered after the date of execution of this Agreement, which matter, if existing or known at the date hereof, would have been required to be set forth or described in the Schedules to this Agreement.

7.8 Bulk Sales. The Seller agrees to and does hereby indemnify and hold the Buyer harmless from and against all claims, losses, demands, damages, liabilities, losses, costs and expenses resulting from or relating to noncompliance by the Buyer or the Seller with the bulk transfer provisions of the Uniform Commercial Code (or any similar law) ("Bulk Sales Laws") in connection with the sale and transfer of the Assets to the Buyer (other than the Assumed Liabilities) and the Buyer and Seller agree to comply with escrow and bulk sales filings as set forth in Section 12.2.

7.9 Securities Laws Matters; Registration Rights.

(a) During the two–year period following the Closing Date, NUI shall use its reasonable best efforts to make current public information available in accordance with Rule 144(c) under the Securities Act.

(b) NUI shall, within a reasonable period of time after the Closing Date, but no later than thirty (30) days after the Closing Date, file a registration statement under the Securities Act to register for resale the shares of NUI Common Stock to be delivered to the Seller related to the Completed Regulatory Approvals and ultimately distributed to the Stockholders of the Seller (the "Registration Statement"). The Registration Statement may be filed for an offering to be made by NUI on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, all as more fully described in the NUI Declaration of Registration Rights annexed hereto as Exhibit A. Notwithstanding anything to the contrary contained herein, NUI shall not be obligated to file a registration statement pursuant to this Declaration until the expiration of a period of 90 days following the closing of the public offering of NUI Common Stock pursuant to Registration Statement number 333–81868. NUI shall use its reasonable best efforts to cause to become effective the

Registration Statement as promptly as practicable after filing, and, where necessary, to keep such Registration Statement effective, all as more fully described in the NUI Declaration of Registration Rights.

(c) At or prior to the time that NUI registers for resale the shares of NUI Common Stock issued in connection with the transaction under the Securities Act, NUI shall cause such NUI Common Stock to be listed on the New York Stock Exchange or any other national securities exchange or quotation system, if any, upon which NUI Common Stock is trading or is being quoted at such time.

7.10 Post Closing Obligations of Seller.

(a) *Change of Name.* On or immediately after the Closing Date, Seller shall amend its Certificate of Incorporation so as to change its corporate name and will thereafter take such action as may reasonably be requested by Buyer, NUI or NUI Telecom to make its present corporate name available to them.

(b) *Dissolution.* On or immediately after the transfer to the Buyer of all of the Assets, the Seller shall commence to promptly liquidate and dissolve as a corporation, and will distribute the shares of NUI Common Stock received pursuant to Section 2.3 hereof to the Stockholders in complete cancellation and redemption of their shares of Seller's capital stock, pursuant to this Plan of Reorganization including adoption of a Plan of Liquidation by the Seller.

7.11 No Inconsistent Actions. Prior to the Closing Date, except as otherwise permitted by this Agreement, no party will enter into any transaction or make any agreement or commitment and will use reasonable efforts not to permit any event to occur, which could reasonably be anticipated to result in (x) a denial of the regulatory approvals referred to in Section 8.1(a) or (y) the imposition of any condition or requirement that would materially adversely affect the economic or business benefits of the transactions contemplated by this Agreement.

7.12 Non–Compete Agreements. The Seller and each of the Stockholders shall enter into Non–Competition Agreements in the form annexed as Exhibit B hereto (the "Non–Competition Agreements").

ARTICLE VIII

CONDITIONS PRECEDENT

8.1 Conditions to Each Party's Obligation.

(a) The respective obligation of each party to proceed with the Closing shall be subject to the satisfaction at or prior to the Closing of the following conditions:

(1) *Regulatory Approvals.* All filings required to be made prior to the Closing Date and Regulatory Approvals and all other material consents, approvals, waivers and authorizations required to be obtained prior to the Closing Date from Governmental Entities or other persons in connection with the execution and delivery of this Agreement and purchase and sale of the assets in the States listed on the Schedule 8.1 shall have been made and all material consents required to be obtained to consummate the transactions contemplated by this Agreement at the Closing shall have been obtained in form and substance satisfactory to the parties and shall be in full force and effect and all statutory waiting periods in respect thereof shall have expired or been terminated (all such approvals and the expiration of all such waiting periods being referred to herein as the "Requisite Regulatory Approvals").

(2) *Absence of Suit.* No action, suit or proceeding before any court or any Governmental Entity shall have been commenced or threatened, and no investigation by any Governmental Entity shall have been commenced, against the Buyer or the Seller, or any of their respective Affiliates, (i) seeking to restrain, prohibit or enjoin the consummation of the transactions contemplated hereby or to change any of the terms thereof, (ii) questioning the validity, legality or enforceability of any such transactions, or (iii) seeking damages in connection with any such transactions.

8.2 Conditions to Obligations of NUI and Buyer. The obligation of NUI, NUI Telecom and Buyer to consummate the transactions contemplated herein is subject to the satisfaction or waiver by NUI, NUI Telecom and Buyer, at or prior to the Closing Date, of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of the Seller set forth in this Agreement shall be true and correct as of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date as though made on and as of the Closing Date.

(b) *Compliance With Agreement.* The Seller shall have performed and complied in all material respects with each obligation and covenant required to be performed or complied with by the Seller pursuant to the terms of this Agreement at or prior to the Closing Date, including delivery of the Closing Documents, which shall be in form and substance satisfactory to counsel for the Buyer.

(c) *No Prohibition.* Neither the consummation nor the performance of any of the transactions contemplated by this Agreement will directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause the Buyer to suffer any material adverse consequence under (i) any applicable laws, or (ii) any law that has been published, introduced, or otherwise proposed by or before any Governmental Entity.

(d) *Absence of Liens.* At or prior to the Closing, at the expense of the Seller, the Buyer shall have received a UCC search report issued by the Secretaries of States in all States listed on Schedule 8.1 as well as the State of incorporation of the Seller and the Clerks of Counties from all jurisdictions in which the Seller maintains a principal office for the conduct of business or owns real property indicating that there are no filings under the UCC on file with such office which name the Seller as debtor or otherwise indicate any lien on the Assets.

(e) *Condition of Assets.* The Assets shall not have been affected in any way as a result of any fire, accident, storm or other casualty or labor or civil disturbance or act of God or the public enemy constituting a Material Adverse Effect.

(f) *Due Diligence.* Buyer shall have completed its due diligence to its satisfaction.

(g) *Interim Operations.* Since the December 31, 2001 (the "Financial Statement Date"), the Business has been conducted only in the ordinary and usual course of business consistent with past practice. Without limiting the generality of the foregoing, the Seller has not since the Financial Statement Date:

i) suffered any material adverse change in its financial condition, Business, operations, Assets or customer base; or

ii) sold, transferred, or otherwise disposed of any material portion of the Assets except in the ordinary and usual course of business and consistent with past practice.

(h) *The Non–Competition Agreements.* The Seller and each of the Stockholders shall have entered into the Non–Competition Agreements.

(i) *Lock–up Agreements.* Each of the Seller and the Stockholders shall have entered into a Lock–Up Agreement (the "Lock–Up Agreement") substantially in the form attached hereto as Exhibit F.

(j) *Agent Releases.* Prior to Closing, the Seller shall have obtained a release and agreement from each agent listed on the attached Schedule 8.2(j) substantially in the form attached hereto as Exhibit G (each a "Release and Agreement"). The Seller shall have obtained a new agent or sub agent agreement in the form approved by NUI Telecom, provided that the non–solicitation provisions thereof shall apply to all current Customers. If the Seller has not obtained a new NUI Telecom approved agent agreement for each agent listed on the attached Schedule 8.2 (j), the Buyer and NUI Telecom shall have the right to (i) obtain a new NUI Telecom agent agreement directly with such agent or (ii) adjust the Purchase Price to exclude the Base Monthly Revenue associated with Customers serviced by an Agent who does not sign an NUI Telecom approved agent agreement.

(k) *Agent Contracts.* Prior to Closing, the Seller shall have obtained a new agent or sub agent agreement in the form approved by NUI Telecom as to the agents listed on the attached Schedule 8.2(k) The approved NUI Telecom agent agreements for agents listed on Schedule 8.2(k) who are not eligible for any Bonus Payment related to the sale of Assets will include non–solictation provisions only relating to all new Customers sold by such agents. If the Seller has not obtained a new NUI Telecom approved agent agreement for each agent listed on the attached Schedule 8.2 (k), the Buyer and NUI Telecom shall have the right to (i) obtain a new NUI Telecom agent agreement directly with such agent or (ii) adjust the Purchase Price to exclude the Base Monthly Revenue associated with Customers serviced by an Agent who does not sign an NUI Telecom approved agent agreement.

8.3 Conditions to Obligations of the Seller. The obligations of the Seller to consummate the transaction contemplated herein is subject to the satisfaction, or waiver by the Seller, at or prior to the Closing of the following conditions:

(a) *Representations and Warranties.* The representations and warranties of NUI, NUI Telecom and Buyer set forth in this Agreement shall be true and correct of the date of this Agreement and (except to the extent such representations and warranties speak as of an earlier date) as of the Closing Date, as though made on and as of the Closing Date.

(b) *Compliance With Agreement.* The Buyer, NUI Telecom and NUI shall have performed and complied in all material respects with each obligation and covenant required to be performed or complied with by the Buyer, NUI Telecom and NUI, as the case may be, at or prior to the Closing Date pursuant to the terms of this Agreement, including delivery of the Closing Documents, which shall be in form and substance satisfactory to counsel for the Seller.

(c) *No Prohibition.* Neither the consummation nor the performance of any of the transactions contemplated by this Agreement will directly or indirectly (with or without notice or lapse of time), materially contravene, or conflict with, or result in a material violation of, or cause the Seller to suffer any material adverse consequence under (i) any applicable laws, or (ii) any law that has been published, introduced, or otherwise proposed by or before any Governmental Entity.

(d) *Registration Rights Declaration.* The NUI Registration Rights Declaration shall have been adopted by the Board of Directors of NUI and shall be in full force and effect as of the Closing Date.

ARTICLE IX

CLOSING

9.1 Closing Date. (a) The closing of the acquisition and assumption of the Assets of the Company in the States listed on Schedule 8.1 and the consummation of the transactions contemplated by the Agreement in such States (the "Closing") shall take

place at the offices of Gibbons, Del Deo, Dolan, Griffinger & Vecchione, P.C., One Riverfront Plaza, Newark, New Jersey, 07102-5497 at 10:00 a.m. local time on the later of (i) completion of the Reconciliation Procedures set forth in Section 3.2(a) and (ii) the third (3rd) business day following the receipt of the Requisite Regulatory Approvals or at such other time and place as may be mutually agreed upon by the parties (the "Closing Date"). In addition, the Closing shall also include the acquisition of the Assets located in any other State in which the Regulatory Approvals related to such State have been obtained. All proceedings to take place on the Closing Date shall be deemed to take place simultaneously and no delivery shall be deemed to have been made until all such proceedings have been completed.

(b) *Transfer Instruments and Closing Documents.* In the event that all the Regulatory Approvals are not obtained by the Closing Date but at least the Requisite Regulatory Approvals have been obtained, the parties agree to undertake to a Closing with respect to all the States as to which the Regulatory Approvals have been obtained and the Assets may be transferred and to issue all the NUI Common Stock in payment of the Purchase Price in full upon satisfaction of the Closing conditions set forth in this Article IX, provided, in the opinion of counsel to the Buyer, Buyer will be able to file a registration statement relating to all NUI Common Stock delivered at Closing within 30 days of the Closing. At Closing, the Seller shall deliver executed but undated Transfer Instruments and Closing Documents relating to states for which Regulatory Approvals are pending to be held in escrow and upon receipt of the Regulatory Approvals the Seller shall deliver the opinion of counsel to the effect the appropriate Regulatory Approvals have been obtained and such Closing Documents and Transfer Instruments shall be dated the date of receipt of such Regulatory Approval and released from the Regulatory Approval Escrow and the shares of NUI Common Stock related thereto shall also be delivered in accordance with Section 3.4 of this Agreement.

9.2 Documents to be Delivered by the Seller at the Closing. At the Closing, the Seller shall deliver to the Buyer, NUI Telecom and NUI the following documents:

(a) *Transfer Instruments.* Such bills of sale, assignments, licenses and other good and sufficient instruments of transfer, conveyance and assignment in form and substance reasonably acceptable to the Buyer and effectively to vest in the Buyer all of the Seller's right, title and interest in and to the Assets (the "Transfer Instruments") for which the Regulatory Approvals have been obtained in accordance with the terms of this Agreement. At the Closing, as to all Assets in States for which Regulatory Approvals are pending, the Seller shall deliver to the Escrow Agent the Transfer Instruments and other Closing Documents relating to such Assets to be held in Escrow until the Regulatory Approval relating to such Asset is received. The Transfer Instruments and other Closing Documents will be dated as of the date of receipt of such Regulatory Approval.

(b) *Compliance Certificate.* A certificate signed by the Seller to the effect that the representations and warranties of the Seller set forth in Article IV of this Agreement are true and correct in all material respects on and as of the Closing Date, with the same effect as though made or given on and as of the Closing Date (except for changes contemplated or permitted by the terms of this Agreement, consented to in writing by the Buyer, or made as of a particular date, in which case such representations and warranties shall have been true and correct in all material respects as of such date), and that the Seller has performed and complied in all material respects with each obligation and covenant required to be performed or complied with by the Seller on or prior to the Closing Date.

(c) *Good Standing Certificates.* A good standing certificate of the Seller from the Secretary of State of the state of its formation and any other jurisdiction where the Seller is required to be qualified to do business and which is listed on Schedule 4.1, obtained at the expense of Seller, dated within fifteen (15) days of the Closing.

(d) *Secretary's Certificate.* A Certificate, dated the Closing Date and delivered on the Closing Date, executed by the Secretary of the Seller, which shall (i) attach a certified copy of the resolutions of the board of directors of the Seller authorizing and approving this Agreement and the consummation of the transactions contemplated by this Agreement; and (ii) identify by name and title and bear the signature of its officer authorized to execute any Closing Document to be executed and delivered on behalf of the Seller pursuant to the terms of this Agreement.

(e) *Opinion of Counsel.* A written opinion of counsel to the Seller, dated as of the Closing Date and delivered on the Closing Date addressed to Buyer in form reasonably acceptable to Buyer.

(f) *Release of Encumbrances.* UCC-3 termination statements or other evidence of the release of all Liens on the Assets.

(g) *Escrow Agreements.* Prior to the Closing Date, the Buyer and the Seller shall have executed and delivered the Indemnification Escrow Agreement, the Regulatory Approval Escrow Agreement and the Bonus Escrow Agreement substantially in the form attached hereto as Exhibits C, D and E, respectively.

(h) *Non-Competition Agreements.* Prior to the Closing, the Non-Competition Agreements shall have executed and delivered to the Buyer by each Stockholder and the Seller.

(i) *Lock-Up Agreements.* The Lock-Up Agreements shall have been executed and delivered to the Buyer by each of the Seller and each Stockholder.

(j) *Agent Release.* The Seller shall deliver the Release and Agreements for each Agent required by Section 8.2(j) of this Agreement.

(k) *Agent Contracts.* The Seller shall deliver the signed NUI Telecom approved agency agreements required by Section 8.2(k).

(l) *Other Documents.* All other documents, instruments or writings required to be delivered to the Buyer pursuant to the terms of this Agreement, including documents evidencing the Requisite Regulatory Approvals and all other Regulatory Approvals received by the Closing Date.

9.3 Documents to be Delivered by the Buyer, NUI Telecom and NUI. At the Closing, the Buyer, NUI Telecom and NUI shall deliver to the Seller the following documents:

(a) *Secretary's Certificate.* Certificate dated the Closing Date and delivered on the Closing Date executed by the Secretary of each of the Buyer, NUI Telecom and NUI, which shall (i) attach a certified copy of the resolutions of the board of directors of NUI, NUI Telecom and of the members of Buyer authorizing and approving this Agreement and the consummation of the transactions contemplated by this Agreement; and (ii) identify by name and title and bear the signature of its officer authorized to execute any Closing Document to be executed and delivered on behalf of the Buyer, NUI Telecom and NUI, as the case may be, pursuant to the terms of this Agreement.

(b) *Payment and Assumption.* The Buyer shall have delivered the shares of NUI Common Stock in accordance with Section 2.3. Appropriate instruments evidencing Buyer's Assumed Liabilities shall have been delivered to Seller.

(c) *Compliance Certificate.* Certificates signed by each of the Buyer, NUI Telecom and NUI to the effect that the representations and warranties of the Buyer, NUI Telecom and NUI set forth in Article V of this Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as though made or given on and as of the Closing Date (except for changes contemplated or permitted by the terms of this Agreement, consented to in writing by the Seller, or made as of a particular date, in which case such representations and warranties shall have been true and correct in all material respects as of such date), and that the Buyer, NUI Telecom and NUI have performed and complied in all material respects with each obligation and covenant required to be performed or complied with by the Buyer, NUI Telecom and NUI on or prior to the Closing Date.

Exhibit 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S−3 of our report dated December 26, 2002 relating to the financial statements and financial statement schedule, which appears in NUI Corporation's Annual Report on Form 10−K for the year ended September 30, 2002. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania

December 30, 2002

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below, hereby severally constitute and appoint John Kean, Jr. and James R. Van Horn, and each of them severally, our true and lawful attorneys with full power to them, and each of them singly, to sign for us and in our names in the capacities indicated below, a Registration Statement on Form S–3 relating to the resale by certain selling shareholders of up to 216,039 shares of common stock of this Corporation and any and all pre–effective and post–effective amendments to said Registration Statement, and any subsequent Registration Statement for the same offering which may be filed under Rule 462(b) under the Securities Act of 1933 and generally to do all such things in our names and on our behalf in our capacities as officers and directors to enable NUI Corporation to comply with the provisions of the Securities Act of 1933 and all requirements of the Securities and Exchange Commission, hereby ratifying and confirming our signatures as they may be signed by our said attorneys, or any of them, to said Registration Statement and any and all amendments thereto or to any subsequent Registration Statement for the same offering which may be filed under said Rule 462(b).

Signature	Title	Date
/s/ John Kean, Jr.		Nov. 26, 2002
JOHN KEAN, JR.	President, Chief Executive Officer and Director (Principal executive officer)	
/s/ John Kean		Nov. 26, 2002
JOHN KEAN	Chairman and Director	
/s/ A. Mark Abramovic		Nov. 26, 2002
A. MARK ABRAMOVIC	Senior Vice President, Chief Operating Officer and Chief Financial Officer (Principal financial and accounting officer)	
/s/ Dr. Vera King Farris		Nov. 26, 2002
DR. VERA KING FARRIS	Director	
/s/ James J. Forese		Nov. 26, 2002
JAMES J. FORESE	Director	
/s/ J. Russell Hawkins		Nov. 26, 2002
J. RUSSELL HAWKINS	Director	
/s/ Bernard S. Lee		Nov. 26, 2002
BERNARD S. LEE	Director	
/s/ R. V. Whisnand		Nov. 26, 2002
R. V. WHISNAND	Director	

SERVICE AGREEMENT

FOR RATE SCHEDULE FT−1

This Service Agreement, made and entered into this 27th day of March, 2002, by and between TEXAS EASTERN TRANSMISSION, LP, a Delaware Limited Partnership (herein called "Pipeline") and NUI Utilities, Inc. (herein called "Customer", whether one or more),

W I T N E S S E T H:

WHEREAS, Pipeline and Customer are currently parties to three executed service agreements under Pipeline's Rate Schedule FTS−2 (Pipeline's Contract No. 3.30788), CDS (Pipeline"s Contract No. 800361), and FT−1 (Pipeline's Contract No. 800338) which specify an MDQ of 5,394 dth, 3,603 dth, and 2,829 dth, respectively; and

WHEREAS, Pipeline and Customer desire to enter into this Service Agreement to supersede and combine Customer's transportation rights under Pipeline's Contract Nos. 800361, and 800338; into this existing 330788

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements herein contained, the parties do covenant and agree as follows:

ARTICLE I

SCOPE OF AGREEMENT

Subject to the terms, conditions and limitations hereof, of Pipeline's Rate Schedule FT−1, and of the General Terms and Conditions, transportation service hereunder will be firm. Subject to the terms, conditions and limitations hereof and of Pipeline's Rate Schedule FT−1, Pipeline agrees to deliver for Customer's account quantities of natural gas up to the following quantity:

Maximum Daily Quantity (MDQ) 5,394 dth

Pipeline shall receive for Customer's account, at those points on Pipeline's system as specified in Article IV herein or available to Customer pursuant to Section 14 of the General Terms and Conditions (hereinafter referred to as Point(s) of Receipt) for transportation hereunder daily quantities of gas up to Customer's MDQ, plus Applicable Shrinkage. Pipeline shall transport and deliver for Customer's account, at those points on Pipeline's system as specified in Article IV herein or available to Customer pursuant to Section 14 of the General Terms and Conditions (hereinafter referred to as Point(s) of Delivery), such daily quantities tendered up to such Customer's MDQ.

Pipeline shall not be obligated to, but may at its discretion, receive at any Point of Receipt on any day a quantity of gas in excess of the applicable Maximum Daily Receipt Obligation (MDRO), plus Applicable Shrinkage, but shall not receive in the aggregate at all Points of Receipt on any day a quantity of gas in excess of the applicable MDQ, plus Applicable Shrinkage. Pipeline shall not be obligated to, but may at its discretion, deliver at any Point of Delivery on any day a quantity of gas in excess of the applicable Maximum Daily Delivery Obligation (MDDO), but shall not deliver in the aggregate at all Points of Delivery on any day a quantity of gas in excess of the applicable MDQ. In addition to the MDQ and subject to the terms, conditions and limitations hereof, Rate Schedule FT−1 and the General Terms and Conditions, Pipeline shall deliver within the Access Area under this and all other service agreements under Rate Schedules CDS, FT−1, and/or SCT, quantities up to Customer's Operational Segment Capacity Entitlements, excluding those operational Segment Capacity Entitlements scheduled to meet Customer's MDQ, for Customer's account, as requested on any day.

ARTICLE II

TERM OF AGREEMENT

The term of this Service Agreement shall commence on April 1, 2002 and shall continue in force and effect until March 31, 2014 and year to year thereafter unless this Service Agreement is terminated as hereinafter provided. This Service Agreement may be terminated by either Pipeline or Customer upon a one (1) year prior written notice to the other specifying a termination date of

March 31, 2014 or any March 31 thereafter. Subject to Section 22 of Pipeline's General Terms and Conditions and without prejudice to such rights, this Service Agreement may be terminated at any time by Pipeline in the event Customer fails to pay part or all of the amount of any bill for service hereunder and such failure continues for thirty (30) days after payment is due; provided, Pipeline gives thirty (30) days prior written notice to Customer of such termination and provided further such termination shall not be effective if, prior to the date of termination, Customer either pays such outstanding bill or furnishes a good and sufficient surety bond guaranteeing payment to Pipeline of such outstanding bill.

THE TERMINATION OF THIS SERVICE AGREEMENT WITH A FIXED CONTRACT TERM OR THE PROVISION OF A TERMINATION NOTICE BY CUSTOMER TRIGGERS PREGRANTED ABANDONMENT UNDER SECTION 7 OF THE NATURAL GAS ACT AS OF THE EFFECTIVE DATE OF THE TERMINATION. PROVISION OF A TERMINATION NOTICE BY PIPELINE ALSO TRIGGERS CUSTOMER'S RIGHT OF FIRST REFUSAL UNDER SECTION 3.13 OF THE GENERAL TERMS AND CONDITIONS ON THE EFFECTIVE DATE OF THE TERMINATION.

Any portions of this Service Agreement necessary to correct or cash–out imbalances under this Service Agreement as required by the General Terms and Conditions of Pipeline's FERC Gas Tariff, Volume No. 1, shall survive the other parts of this Service Agreement until such time as such balancing has been accomplished.

ARTICLE III

RATE SCHEDULE

This Service Agreement in all respects shall be and remain subject to the applicable provisions of Rate Schedule FT–1 and of the General Terms and Conditions of Pipeline's–FERC Gas Tariff on file with the Federal Energy Regulatory Commission, all of which are by this reference.made a part hereof.

Customer shall pay Pipeline, for all services rendered hereunder and for the availability of such service in the period stated, the applicable prices established under Pipeline's Rate Schedule FT–1 as filed with the Federal Energy Regulatory Commission, and as same may hereafter be legally amended or superseded.

Customer agrees that Pipeline shall have the unilateral right to file with the appropriate regulatory authority and make changes effective in (a) the rates and charges applicable to service pursuant to Pipeline's Rate Schedule FT−1, (b) Pipeline's Rate Schedule FT−l pursuant to which service hereunder is rendered or (c) any provision of the General Terms and Conditions applicable to Rate Schedule FT−1. Notwithstanding the foregoing, Customer does not agree that Pipeline shall have the unilateral right without the consent of Customer subsequent to the execution of this Service Agreement and Pipeline shall not have the right during the effectiveness of this Service Agreement to make any filings pursuant to Section 4 of the Natural Gas Act to change the MDQ specified in Article 1, to change the term of the agreement as specified in Article II, to change Point(s) of Receipt specified in Article IV, to change the Point(s) of Delivery specified in Article IV, or to change the firm character of the service hereunder. Pipeline agrees that Customer may protest or contest the aforementioned filings, and Customer does not waive any rights it may have with respect to such filings.

ARTICLE IV

POINT(S) OF RECEIPT AND POINT(S) OF DELIVERY

The Point(s) of Receipt and Point(s) of Delivery at which Pipeline shall receive and deliver gas, respectively, shall be specified in Exhibit (s) A, B, and C of the executed service agreement.

Exhibit(s) A, B, and C are hereby incorporated as part of this Service Agreement for all intents and purposes as if fully copied and set forth herein at length.

ARTICLE V

QUALITY

All natural gas tendered to Pipeline for Customer's account shall conform to the quality specifications set forth in Section 5 of Pipeline's General Terms and Conditions. Customer agrees that in the event Customer tenders for service hereunder and Pipeline agrees to accept natural gas which does not comply with Pipeline's quality specifications, as expressly provided for in Section 5 of

Pipeline's General Terms and Conditions, Customer shall pay all costs associated with processing of such gas as necessary to comply with such quality specifications. Customer shall execute or cause its supplier to execute, if such supplier has retained processing rights to the gas delivered to Customer, the appropriate agreements prior to the commencement of service for the transportation and processing of any liquefiable hydrocarbons and any PVR quantities associated with the processing of gas received by Pipeline at the Point(s) of Receipt under such Customer's service agreement. In addition, subject to the execution of appropriate agreements, Pipeline is willing to transport liquids associated with the gas produced and tendered for transportation hereunder.

ARTICLE VI

ADDRESSES

Except as herein otherwise provided or as provided in the General Terms and Conditions of Pipeline's FERC Gas Tariff, any notice, request, demand, statement, bill or payment provided for in this Service Agreement, or any notice which any party may desire to give to the other, shall be in writing and shall be considered as duly delivered when mailed by registered, certified, or regular mail to the post office address of the parties hereto, as the case may be, as follows:

(a) Pipeline: TEXAS EASTERN TRANSMISSION, LP

5400 Westheimer Court

Houston, TX 77056

(b) Customer NUI Utilities, Inc.

550 Route 202/206

Bedminster, NJ 07921

or such other address as either party shall designate by formal written notice.

ARTICLE VII

ASSIGNMENTS

Any Company which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of Customer, or of Pipeline, as the case may be, shall be entitled to the rights and shall be subject to the obligations of its predecessor in title under this Service Agreement; and either Customer or Pipeline may assign or pledge this Service Agreement under the provisions of any mortgage, deed of trust, indenture, bank credit agreement, assignment, receivable sale, or similar instrument which it has executed or may execute hereafter; otherwise, neither Customer nor Pipeline shall assign this Service Agreement or any of its rights hereunder unless it first shall have obtained the consent thereto in writing of the other; provided further, however, that neither Customer nor Pipeline shall be released from its obligations hereunder without the consent of the other. In addition, Customer may assign its rights to capacity pursuant to Section 3.14 of the General Terms and Conditions. To the extent Customer so desires, when it releases capacity pursuant to Section 3.14 of the General Terms and Conditions, Customer may require privity between Customer and the Replacement Customer, as further provided in the applicable Capacity Release Umbrella Agreement.

ARTICLE VIII

INTERPRETATION

The interpretation and performance of this Service Agreement shall be in accordance with the laws of the State of Texas without recourse to the law governing conflict of laws.

This Service Agreement and the obligations of the parties are subject to all present and future valid laws with respect to the subject matter, State and Federal, and to all valid present and future orders, rules, and regulations of duly constituted authorities having jurisdiction.

ARTICLE IX

CANCELLATION OF PRIOR CONTPACT(S)

This Service Agreement supersedes and cancels, as of the effective date of this Service Agreement, the contracts between the parties hereto as described below:

Service agreement under Pipeline's Rate Schedule FTS-2 (Pipeline's Contract No. 330788).

Service agreement under Pipeline's Rate Schedule CDS (Pipeline's Contract No. 800361).

Service agreement under Pipeline's Rate Schedule FT-1 (Pipeline's Contract No. 800338).

SERVICE AGREEMENT

FOR RATE SCHEDULE FT-1

(Continued)

IN WITNESS WHEREOF, the parties hereto have caused this Service Agreement to be signed by their respective Presidents, Vice Presidents or other duly authorized agents and their respective corporate seals to be hereto affixed and attested by their respective Secretaries or Assistant Secretaries, the day and year first above written.

TEXAS EASTERN TRANSMISSION LP

By: /S/ Gregory J. Rizzo

Sr.Vice President Marketing &

Capacity Mgmt.

ATTEST:

/S/ Beverly J. Fitt

Assistant Secretary

NUI Utilities, Inc.

By: /S/ Thomas E. Smith

Director, Energy Planning

ATTEST:

/S/ Joyce M. Fajnor

Assistant Secretary

MEMORANDUM

TO: NUI Corporation and NUI Utilities Syndicate Members

FROM: Stephen J. Hoffman
Fleet National Bank, Agent

DATE: August 9, 2002

RE: Credit Agreement among NUI Corporation ("NUI Corporation"), Fleet National Bank, as Agent, PNC Bank, National Association, as Syndication Agent, First Union National Bank, as Documentation Agent, and others, dated as of December 19, 2001 (the "NUI Corporation Credit Agreement")

Credit Agreement among NUI Utilities, Inc. ("NUI Utilities"), Fleet National Bank, as Agent, PNC Bank, National Association, as Syndication Agent, First Union National Bank, as Documentation Agent, and others, dated as of December 19, 2001 (the "NUI Utilities Credit Agreement")

As you know, the NUI Corporation Credit Agreement and the NUI Utilities Credit Agreement (collectively, the "Credit Agreements") each contain covenants restricting the creation, incurrence, assumption or sufferance of Indebtedness (as such term is defined in the Credit Agreements), subject to certain permitted exceptions.

Due to the current historically low interest rate environment, NUI Corporation and NUI Utilities (collectively, the "Companies") are reviewing the possibility of entering into certain transactions that would constitute Hedging Obligations (as such term is defined in the Credit Agreements). Since such transactions are currently prohibited by the Credit Agreement, the Companies have requested that Section 5.13 of each Credit Agreement be amended to provide that Indebtedness incurred in connection with Hedging Obligations on debt in an amount not to exceed an aggregate notional value of $75,000,000 per fiscal year be permitted. Amending such indebtedness covenants to permit such a basket for Indebtedness in connection with Hedging Obligations requires the consent and approval of Required Lenders under each of the Credit Agreements. This request does not allow for an increase in the dollar value of any debt but would allow the Companies, should they decide to, to take advantage of a favorable movement in interest rates (to effect, for example, a fixed–to–floating interest rate swap). Fleet supports this request.

Please let me know by the close of business on Monday, August 19, 2002 whether you have any issues with the indebtedness covenants contained in Section 5.13 of each Credit Agreement being amended to permit Indebtedness in connection with Hedging Obligations in an aggregate amount not to exceed a notional value of $75,000,000 per fiscal year. Please direct any questions you may have to me by e–mail at stephen_j_hoffman@fleet.com or by telephone at (617) 434–6520 or to Phillip Lynch at phillip_lynch@fleet.com or by telephone at (617) 434–8843.

If you are in agreement with this amendment, please indicate your consent by signing in the space below provided for your signature. Please fax your signature page to me at (617) 434–3652 by the close of business on Monday, August 19, 2002. In addition, please send your three original signature pages to me via overnight mail for delivery by Tuesday at 100 Federal Street, Mail Stop: MA DE 10008A, Boston, Massachusetts 02110. The signatures of the Required Lenders and the Companies hereto shall be sufficient to effect the amendment to the Credit Agreements described herein, effective as of August 19, 2002. Thank you for your prompt attention and cooperation.

Agreed to and acknowledged as of August 19, 2002 by:

FLEET NATIONAL BANK, as Agent and as a Lender under each of the above–referenced Credit Agreements

By: /S/ STEPHEN J. HOFFMAN

Name: Stephen J. Hoffman

Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as Syndication Agent and as a Lender under each of the above–referenced Credit Agreements

By: /S/ JANIS L. TUCKER

Name: Janis L. Tucker

Title: Vice President

FIRST UNION NATIONAL BANK, as Documentation Agent and as a Lender under each of the above–referenced Credit Agreements

By: /S/ JEFFREY R. STOTTLER

Name: Jeffrey R. Stottler

Title:

BANK OF TOKYO–MITSUBISHI TRUST COMPANY, as a Lender under each of the above–referenced Credit Agreements

By: /S/ NICHOLAS R. BATTISTA

Name: Nicholas R. Battista

Title: VP and Manager

CITIZENS BANK, as a Lender under each of the above–referenced Credit Agreements

By: /S/ MICHAEL OVELLET

Name: Michael Ovellet

Title: Vice President

CIBC INC., as a Lender under each of the above–referenced Credit Agreements

By: /S/ NORA Q. CATIIS

Name: Nora Q. Catiis

Title: Authorized Signatory

MELLON BANK, N.A., as a Lender under each of the above–referenced Credit Agreements

By: /S/ CHARLES E. FRANKENBERRY

Name: Charles E. Frankenberry

Title: Vice President

NUI CORPORATION

By: /S/ ROBERT F. LURIE

Name: Robert F. Lurie

Title: Vice President, Corporate

Development & Treasurer

NUI UTILITIES, INC.

By: /S/ JAMES R. VAN HORN

Name: James R. Van Horn

Title: Secretary

MEMORANDUM

TO: NUI Corporation and NUI Utilities Syndicate Members

FROM: Stephen J. Hoffman
Fleet National Bank, Agent

DATE: August 9, 2002

RE: Credit Agreement among NUI Corporation ("NUI Corporation"), Fleet National Bank, as Agent, PNC Bank, National Association, as Syndication Agent, First Union National Bank, as Documentation Agent, and others, dated as of December 19, 2001 (the "NUI Corporation Credit Agreement")

Credit Agreement among NUI Utilities, Inc. ("NUI Utilities"), Fleet National Bank, as Agent, PNC Bank, National Association, as Syndication Agent, First Union National Bank, as Documentation Agent, and others, dated as of December 19, 2001 (the "NUI Utilities Credit Agreement")

As you know, the NUI Corporation Credit Agreement and the NUI Utilities Credit Agreement (collectively, the "Credit Agreements") each contain covenants restricting the creation, incurrence, assumption or sufferance of Indebtedness (as such term is defined in the Credit Agreements), subject to certain permitted exceptions.

Due to the current historically low interest rate environment, NUI Corporation and NUI Utilities (collectively, the "Companies") are reviewing the possibility of entering into certain transactions that would constitute Hedging Obligations (as such term is defined in the Credit Agreements). Since such transactions are currently prohibited by the Credit Agreement, the Companies have requested that Section 5.13 of each Credit Agreement be amended to provide that Indebtedness incurred in connection with Hedging Obligations on debt in an amount not to exceed an aggregate notional value of $75,000,000 per fiscal year be permitted. Amending such indebtedness covenants to permit such a basket for Indebtedness in connection with Hedging Obligations requires the consent and approval of Required Lenders under each of the Credit Agreements. This request does not allow for an increase in the dollar value of any debt but would allow the Companies, should they decide to, to take advantage of a favorable movement in interest rates (to effect, for example, a fixed–to–floating interest rate swap). Fleet supports this request.

Please let me know by the close of business on Monday, August 19, 2002 whether you have any issues with the indebtedness covenants contained in Section 5.13 of each Credit Agreement being amended to permit Indebtedness in connection with Hedging Obligations in an aggregate amount not to exceed a notional value of $75,000,000 per fiscal year. Please direct any questions you may have to me by e–mail at stephen_j_hoffman@fleet.com or by telephone at (617) 434–6520 or to Phillip Lynch at phillip_lynch@fleet.com or by telephone at (617) 434–8843.

If you are in agreement with this amendment, please indicate your consent by signing in the space below provided for your signature. Please fax your signature page to me at (617) 434–3652 by the close of business on Monday, August 19, 2002. In addition, please send your three original signature pages to me via overnight mail for delivery by Tuesday at 100 Federal Street, Mail Stop: MA DE 10008A, Boston, Massachusetts 02110. The signatures of the Required Lenders and the Companies hereto shall be sufficient to effect the amendment to the Credit Agreements described herein, effective as of August 19, 2002. Thank you for your prompt attention and cooperation.

Agreed to and acknowledged as of August 19, 2002 by:

FLEET NATIONAL BANK, as Agent and as a Lender under each of the above–referenced Credit Agreements

By: /S/ CHERYL A. HUTT

Name: Cheryl A. Hutt

Title: Vice President

PNC BANK, NATIONAL ASSOCIATION, as Syndication Agent and as a Lender under each of the above–referenced Credit Agreements

By: /S/ JANIS L. TUCKER

Name: Janis L. Tucker

Title: Vice President

FIRST UNION NATIONAL BANK, as Documentation Agent and as a Lender under each of the above–referenced Credit Agreements

By: /S/ JEFFREY R. STOTTLER

Name: Jeffrey R. Stottler

Title:

BANK OF TOKYO–MITSUBISHI TRUST COMPANY, as a Lender under each of the above–referenced Credit Agreements

By: /S/ J. WILLIAM RHODES

Name: J. William Rhodes

Title: VP

CITIZENS BANK, as a Lender under each of the above–referenced Credit Agreements

By: /S/ MICHAEL OVELLET

Name: Michael Ovellet

Title: Vice President

CIBC INC., as a Lender under each of the above–referenced Credit Agreements

By: /S/ NORA Q. CATIIS

Name: Nora Q. Catiis

Title: Authorized Signatory

MELLON BANK, N.A., as a Lender under each of the above–referenced Credit Agreements

By: RICHARD A. MATTHEWS

Name: Richard A. Matthews

Title: First Vice President

NUI CORPORATION

By: /S/ CHARLES N. GARBER

Name: Charles N. Garber

Title: Vice President–Finance & Treasurer

NUI UTILITIES, INC.

By: /S/ CHARLES N. GARBER

Name: Charles N. Garber

Title: Treasurer

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (this "Amendment") is executed October 25, 2002, effective (unless otherwise indicated) as of December 19, 2001, by and among **NUI CORPORATION**, a New Jersey corporation (the "Borrower"); the lenders from time to time parties thereto (collectively, the "Lenders" and each individually, a "Lender"); **FLEET NATIONAL BANK**, as Agent for the Lenders (in such capacity, with its successors and assigns, the "Agent"); **PNC BANK, NATIONAL ASSOCIATION**, as Syndication Agent (in such capacity, with its successors and assigns, the "Syndication Agent"); and **FIRST UNION NATIONAL BANK**, as Documentation Agent (in such capacity, with its successors and assigns, the "Documentation Agent").

RECITALS

A. The Borrower, the Lenders, the Agent, the Syndication Agent and the Documentation Agent are parties to that certain Credit Agreement dated as of December 19, 2001, as amended through the date hereof (the "Credit Agreement"). Capitalized terms used herein without definition have the meanings assigned to them in the Credit Agreement.

B. The Borrower has requested certain amendments to the Credit Agreement, all as set forth below.

C. The Lenders signing below are willing to consent to such amendments on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

I. AMENDMENTS TO CREDIT AGREEMENT. Subject to the satisfaction of each of the conditions set forth herein, the Credit Agreement is hereby amended as follows:

A. Fixed Charge Coverage Ratio. Section 5.3b of the Credit Agreement is amended to read in its entirety as follows:

"**5.3b Fixed Charge Coverage Ratio**. At no time permit, for any period of four consecutive Fiscal Quarters ending on or after December 31, 2001, the ratio of (i) the sum of (A) Consolidated Net Income for such period plus (B) income taxes deducted in determining such Net Income plus (C) Consolidated Fixed Charges for such period plus (D) the one–time non–cash goodwill impairment loss recognized by the Borrower (in the Fiscal Quarter ending December 31, 2001) relating to its Subsidiary, T.I.C. Enterprises, L.L.C. ("TIC"), pursuant to SFAS 142 plus (E) the one–time non–recurring losses recognized by the Borrower on or prior to September 30, 2002 in connection with the discontinuance of TIC's operations pursuant to SFAS 144; to (ii) Consolidated Fixed Charges for such period, to be less than the following:

Four Fiscal Quarters Ending	Minimum Fixed Charge Coverage Ratio
December 31, 2001, March 31, 2002 and June 30, 2002	1.75:1.00
September 30, 2002 and thereafter	1.50:1.00

As used herein, the terms SFAS 142 and SFAS 144 refer to Statement of Financial Accounting Standard No. 142 and Statement of Financial Accounting Standard No. 144, respectively."

B. Sale and Leaseback. Effective October [ ], 2002, Section 5.19 of the Credit Agreement is hereby amended to read in its entirety as follows:

"**5.19 Sale and Leaseback**. The Borrower shall not, and shall not permit any of its Subsidiaries to, enter into any arrangement with any Person providing for the leasing by the Borrower or any Subsidiary of real or personal property which has been or is to be sold or transferred by the Borrower or such Subsidiary to such Person if such arrangement(s), individually or in the aggregate, involve(s) consideration exceeding $50,000,000."

C. Senior Ratings; Pricing Revisions.

1. Effective October [ ], 2002,Section 5.10 of the Credit Agreement is deleted and the following substituted therefor:

"**5.10** [Intentionally Omitted]."

2. Effective October [ ], 2002,the definition of "Applicable Euro–Rate Margin" is amended by deleting the table set forth therein and substituting the following:

Senior Unsecured Debt Rating	Applicable Euro–Rate Margin
Level 1	52.5

Greater than or equal to A−/A3	
Level 2 BBB+/Baa1	60.0
Level 3 BBB/Baa2	70.0
Level 4 BBB−/Baa3	80.0
Level 5 Rated less than BBB−/Baa3	190.0

3. Effective October [ ], 2002,the definition of Facility Fee Rate is amended by deleting the table set forth therein and substituting the following:

Senior Unsecured Debt Rating	**Facility Fee Rate**
Level 1 Rated greater than or equal to A−/A3	12.5
Level 2 BBB+/Baa1	15.0
Level 3 BBB/Baa2	17.5
Level 4 BBB−/Baa3	20.0
Level 5 Rated less than BBB−/Baa3	35.0

D. **Furnishing Information**. Section 4.2 of the Credit Agreement is hereby amended as follows:

1. By deleting the words "and consolidating" from clause (C) of subparagraph (i).

2. By deleting the words "and consolidating" from clauses (C) and (D) of subparagaph (ii).

3. By deleting the word "Andersen" from subparagraph (ii) thereof and substituting therefor "PricewaterhouseCoopers LLP".

E. **Permitted Indebtedness Clarification**. Section 5.13 of the Credit Agreement is hereby amended by inserting at the beginning of subparagraph (d) thereof the following:

"Indebtedness of NUI Utilities under the NUI Utilities Credit Agreement, as amended, extended or otherwise modified in accordance with its terms, and"

II. **REFERENCES IN LOAN DOCUMENTS; CONFIRMATION**. All references to the "Credit Agreement" in any Loan Documents shall, from and after the date hereof, refer to the Credit Agreement as amended by this Amendment. All Loan Documents heretofore executed by the Borrower shall remain in full force and effect and, by the execution of this Amendment by the Borrower, such Loan Documents are hereby ratified and affirmed.

III. **REPRESENTATIONS, WARRANTIES AND COVENANTS**. The Borrower hereby represents and warrants to, and covenants and agrees with, the Agent and the Lenders that:

A. The execution and delivery of this Amendment has been duly authorized by all requisite corporate action on the part of the Borrower.

B. The representations and warranties of the Borrower and each of the Guarantors contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the date of this Amendment as though made at and as of such date, except to the extent that such representations and warranties relate solely to an earlier date. Since the Closing Date, no event or circumstance has occurred or existed which could reasonably be expected to have Material Adverse Effect. As of the date hereof, after giving effect to this Amendment, no Potential Default or Event of Default has occurred and is continuing.

C. Neither the Borrower, nor any of the Guarantors, is required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency or any other Person in connection with, or as a condition to, the execution, delivery or performance of this Amendment by such party.

D. This Amendment constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights and remedies of creditors generally or the application of principles of equity, whether in any action at law or proceeding in equity.

IV. CONDITIONS. The willingness of the Agent and the Lenders to amend the Credit Agreement is subject to the satisfaction of the following conditions precedent:

A. The Borrower shall have executed and delivered to the Agent (or shall have caused to be executed and delivered to the Agent by the appropriate persons) the following:

1. On or before the date hereof:

(a) This Amendment;

(b) The Confirmation of Guaranty executed by the Guarantors; and

(c) True and complete copies of (i) any required stockholders' and/or directors' consents and (ii) any resolutions required for the due authorization of the execution, delivery and performance by the Borrower of this Amendment, certified by a duly authorized officer of the Borrower.

2. Such other supporting documents and certificates as the Agent, any Lender or their counsel may reasonably request within the time period(s) reasonably designated by the Agent, such Lender or their counsel.

B. All legal matters incident to the transactions hereby contemplated shall be reasonably satisfactory to the Agent's counsel and to the Lenders' counsel.

V. MISCELLANEOUS.

A. As provided in the Credit Agreement, the Borrower agrees to reimburse the Agent upon demand for all reasonable fees and disbursements of counsel to the Agent incurred in connection with the preparation of this Amendment.

B. This Amendment shall be governed by, and construed in accordance with, the law of the State of New Jersey.

C. This Amendment may be executed by the parties hereto in several counterparts hereof and by the different parties hereto on separate counterparts hereof, all of which counterparts shall together constitute one and the same agreement. Delivery of an executed signature page of this Amendment by facsimile transmission shall be effective as an in-hand delivery of an original executed counterpart hereof.

[The next pages are the signature pages.]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby,

have caused this Third Amendment to Credit Agreement to be executed by their respective officers thereunto duly authorized as of the date first written above.

ATTEST: **NUI CORPORATION**

By: /S/ Carol A. Sliker

Name: Carol A. Sliker

Title: Assistant Secretary

By: /S/ Charles N. Garber

Name: Charles N. Garber

Title: Vice President of Finance & Treasurer

FLEET NATIONAL BANK,

in its capacity as the Agent hereunder

By: /S/ Stephen J. Hoffman

Name: Stephen J. Hoffman

Title: Director

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Third Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

FLEET NATIONAL BANK

]

By: /S/ Stephen J. Hoffman

Name: Stephen J. Hoffman

Title: Director

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Third Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

PNC BANK, NATIONAL ASSOCIATION

By: /S/ Michael Richards

Name: Michael Richards

Title: Vice President

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Third Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

WACHOVIA BANK, National Association

(f/k/a FIRST UNION NATIONAL BANK)

By: /S/ Rotcher Watkins

Name: Rotcher Watkins

Title: Managing Director

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Third Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

BANK OF TOKYO–MITSUBISHI TRUST

COMPANY

By: /S/ J. William Rhodes

Name: J. William Rhodes

Title: Vice President

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Third Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to

be executed by its duly authorized officers as of the date first above written.

CITIZENS BANK

By: /S/ Michael Ovellet

Name: Michel Ovellet

Title: Vice President

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Third Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

CIBC INC.

By: /S/ Nora Q. Catiis

Name: Nora Q. Catiis

Title: Authorized Signatory

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Third Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

MELLON BANK, N.A.

By: /S/ Roger N. Stanier

Name: Roger N. Stanier

Title: Vice President

FOURTH AMENDMENT TO CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO CREDIT AGREEMENT (this "Amendment") dated as of November 13, 2002, by and among **NUI CORPORATION**, a New Jersey corporation (the "Borrower"); the lenders from time to time parties thereto (collectively, the "Lenders" and each individually, a "Lender"); **FLEET NATIONAL BANK**, as Agent for the Lenders (in such capacity, with its successors and assigns, the "Agent"); **PNC BANK, NATIONAL ASSOCIATION**, as Syndication Agent (in such capacity, with its successors and assigns, the "Syndication Agent"); and **FIRST UNION NATIONAL BANK**, as Documentation Agent (in such capacity, with its successors and assigns, the "Documentation Agent").

RECITALS

A. The Borrower, the Lenders, the Agent, the Syndication Agent and the Documentation Agent are parties to that certain Credit Agreement dated as of December 19, 2001, as amended through the date hereof (the "Credit Agreement"). Capitalized terms used herein without definition have the meanings assigned to them in the Credit Agreement.

B. The Borrower has requested that the Termination Date be extended from December 18, 2002 to February 12, 2003, with pricing adjustments to be effective from and after December 19, 2002, all as set forth below.

C. The Lenders are willing to consent to such amendments on the terms and conditions hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

I. AMENDMENTS TO CREDIT AGREEMENT. Subject to the satisfaction of each of the conditions set forth herein, the Credit Agreement is hereby amended as follows:

A. Extension of Termination Date. Section 1.1 of the Credit Agreement is amended by deleting the definition of "Termination Date" set forth therein and substituting the following:

"Termination Date" means February 12, 2003, unless earlier terminated in accordance with the terms hereof.

B. Pricing.

1. Effective December 19, 2002,the definition of "Applicable Euro-Rate Margin" set forth in Section 1.1 of the Credit Agreement is amended by deleting the table set forth therein and substituting the following:

Senior Unsecured Debt Rating	Applicable Euro-Rate Margin
Level 1 Greater than or equal to A-/A3	75.0
Level 2 BBB+/Baa1	85.0
Level 3 BBB/Baa2	95.0
Level 4 BBB-/Baa3	105.0
Level 5 Rated less than BBB-/Baa3	190.0

2. For the convenience of the parties, the amendment of the table included in the definition of Facility Fee Rate effected as of October 25, 2002 pursuant to the Third Amendment to Credit Agreement among the parties executed on such date is set forth in its entirety below:

Senior Unsecured Debt Rating	Facility Fee Rate
Level 1 Rated greater than or equal to A-/A3	12.5
Level 2 BBB+/Baa1	15.0
Level 3 BBB/Baa2	17.5
Level 4 BBB-/Baa3	20.0
Level 5 Rated less than BBB-/Baa3	35.0

II. REDUCTION OF COMMITMENTS. Effective as of December 18, 2002, at the Borrower's request under **Section 2.10**

of the Credit Agreement, the aggregate Commitments shall be permanently reduced from $80,000,000 to $55,000,000. Each Lender's Commitment, after giving pro rata effect to such reduction, is set forth opposite its name on the signature page hereto.

III. REFERENCES IN LOAN DOCUMENTS; CONFIRMATION. All references to the "Credit Agreement" in any Loan Documents shall, from and after the date hereof, refer to the Credit Agreement as amended by this Amendment. All Loan Documents heretofore executed by the Borrower shall remain in full force and effect and, by the execution of this Amendment by the Borrower, such Loan Documents are hereby ratified and affirmed.

IV. REPRESENTATIONS, WARRANTIES AND COVENANTS. The Borrower hereby represents and warrants to, and covenants and agrees with, the Agent and the Lenders that:

A. The execution and delivery of this Amendment has been duly authorized by all requisite corporate action on the part of the Borrower.

B. The representations and warranties of the Borrower and each of the Guarantors contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects on and as of the date of this Amendment as though made at and as of such date, except to the extent that such representations and warranties relate solely to an earlier date. Since the Closing Date, no event or circumstance has occurred or existed which could reasonably be expected to have Material Adverse Effect. As of the date hereof, after giving effect to this Amendment, no Potential Default or Event of Default has occurred and is continuing.

C. Neither the Borrower, nor any of the Guarantors, is required to obtain any consent, approval or authorization from, or to file any declaration or statement with, any governmental instrumentality or other agency or any other Person in connection with, or as a condition to, the execution, delivery or performance of this Amendment by such party.

D. This Amendment constitutes the legal, valid and binding obligation of the Borrower, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights and remedies of creditors generally or the application of principles of equity, whether in any action at law or proceeding in equity.

V. CONDITIONS. The willingness of the Agent and the Lenders to amend the Credit Agreement is subject to the satisfaction of the following conditions precedent:

A. The Borrower shall have executed and delivered to the Agent (or shall have caused to be executed and delivered to the Agent by the appropriate persons) the following:

1. On or before the date hereof:

(a) This Amendment;

(b) The Confirmation of Guaranty executed by the Guarantors; and

(c) True and complete copies of (i) any required stockholders' and/or directors' consents and (ii) any resolutions required for the due authorization of the execution, delivery and performance by the Borrower of this Amendment, certified by a duly authorized officer of the Borrower.

2. Such other supporting documents and certificates as the Agent, any Lender or their counsel may reasonably request within the time period(s) reasonably designated by the Agent, such Lender or their counsel.

B. All legal matters incident to the transactions hereby contemplated shall be reasonably satisfactory to the Agent's counsel and to the Lenders' counsel.

VI. MISCELLANEOUS.

A. As provided in the Credit Agreement, the Borrower agrees to reimburse the Agent upon demand for all reasonable fees and disbursements of counsel to the Agent incurred in connection with the preparation of this Amendment.

B. This Amendment shall be governed by, and construed in accordance with, the law of the State of New Jersey.

C. This Amendment may be executed by the parties hereto in several counterparts hereof and by the different parties hereto on separate counterparts hereof, all of which counterparts shall together constitute one and the same agreement. Delivery of an executed signature page of this Amendment by facsimile transmission shall be effective as an in–hand delivery of an original executed counterpart hereof.

[The next pages are the signature pages.]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby,

have caused this Fourth Amendment to Credit Agreement to be executed by their respective officers thereunto duly authorized as of the date first written above.

ATTEST: **NUI CORPORATION**

By: /S/ Joyce M. Fajnor

Name: Joyce M. Fajnor

Title: Assistant Secretary

By: /S/ Joyce M. Fajnor

Name: Joyce M. Fajnor

Title: Assistant Secretary

By: /S/ Charles N. Garber

Name: Charles N. Garber

Title: Vice President of Finance & Treasurer

By: /S/ A. Mark Abramovic

Name: A. Mark Abramovic

Title: Sr. VP, COO and CFO

FLEET NATIONAL BANK,

in its capacity as the Agent hereunder

By: /S/ Stephen J. Hoffman

Name: Stephen J. Hoffman

Title: Director

-

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Fourth Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

Commitment After Reduction: **FLEET NATIONAL BANK**

$11,000,000.00

Commitment Percentage: By: /S/ Stephen J. Hoffman

0.200000% Name: Stephen J. Hoffman

Title: Director

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Fourth Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

Commitment After Reduction: **PNC BANK, NATIONAL ASSOCIATION**

$9,777,777.78

Commitment Percentage: By: /S/ Michael Richards

0.177778% Name: Michael Richards

Title: Vice President

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Fourth Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

Commitment After Reduction: **FIRST UNION NATIONAL BANK**

$9,777,777.78

Commitment Percentage: By: /S/ Rotcher Watkins

0.177778% Name: Rotcher Watkins

Title: Managing Director

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Fourth Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

Commitment After Reduction:**BANK OF TOKYO–MITSUBISHI TRUST**

$7,333,333.33**COMPANY**

Commitment Percentage:

0.133333% By: /S/ J. William Rhodes

Name: J. William Rhodes

Title: Vice President

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Fourth Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

Commitment After Reduction: **CITIZENS BANK**

$7,333,333.33

Commitment Percentage: By: /S/ Michael Ovellet

0.133333% Name: Michel Ovellet

Title: Vice President

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Fourth Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

Commitment After Reduction: **CIBC INC.**

$6,111,111.11

Commitment Percentage: By: /S/ George Knight

0.111111% Name: George Knight

Title: Managing Director

CIBC World Markets Corp as Agent

IN WITNESS WHEREOF, intending to be legally bound hereby, the undersigned Lender has caused this Fourth Amendment to Credit Agreement by and among NUI CORPORATION, THE LENDERS PARTY HERETO and FLEET NATIONAL BANK, as Agent, to be executed by its duly authorized officers as of the date first above written.

Commitment After Reduction: **MELLON BANK, N.A.**

$3,666,666.67

Commitment Percentage: By: /S/ Roger N. Stanier

0.066667% Name: Roger N. Stanier

Title: Vice President

CONFIRMATION OF GUARANTY

Each of the undersigned Guarantors hereby joins in the execution of the foregoing Fourth Amendment to Credit Agreement, dated November 13, 2002 and effective as of December 19, 2002 (the "Amendment"), to which this Confirmation of Guaranty is attached (1) to confirm its consent, to the extent required, to all of the transactions contemplated by the Amendment and (2) to confirm and ratify its Guaranty Agreement (the "Guaranty") entered into as required under such Credit Agreement, dated as of December 19, 2001, in favor of the Agent on behalf of the Lenders, which Guaranty remains in full force and effect. Capitalized terms used herein without definition have the meanings assigned to them in the Credit Agreement, as amended.

Each of the undersigned Guarantors hereby agrees that the representations and warranties contained in the Credit Agreement and the other Loan Documents with respect to the undersigned are true and correct in all material respects on and as of the date hereof as though made at and as of such date, except to the extent that such representations and warranties expressly relate to an earlier date. Since the Closing Date, no event or circumstance has occurred or exists which could reasonably be expected to have Material Adverse Effect. As of the date hereof and after giving effect to the Amendment, no Potential Default or Event of Default has occurred and is continuing.

NUI CAPITAL CORP.

By: /S/ Charles N. Garber

Title: Treasurer

By: /S/ A. Mark Abramovic

Title: Vice President

UTILITY BUSINESS SERVICES, INC.

By: /S/ Charles N. Garber

Title: Treasurer

By: /S/ A. Mark Abramovic

Title: Vice President

NUI ENERGY BROKERS, INC.

By: /S/ Charles N. Garber

Title: Treasurer

By: /S/ A. Mark Abramovic

Title: Vice President

NUI ENERGY SOLUTIONS, INC.

By: /S/ Patti Helfer

Title: Treasurer

By: /S/ Robert F. Lurie

Title: President

NUI ENVIRONMENTAL GROUP, INC.

By: /S/ Charles N. Garber

Title: Treasurer

By: /S/ A. Mark Abramovic

Title: Vice President

NUI ENERGY, INC.

By: /S/ Patti Helfer

Title: Treasurer

By: /S/ Robert F. Lurie

Title: President

NUI INTERNATIONAL, INC.

By: /S/ Charles N. Garber

Title: Treasurer

By: /S/ A. Mark Abramovic

Title: Vice President

NUI TELECOM, INC.

By: /S/ Patti Helfer

Title: Treasurer

By: /S/ Robert F. Lurie

Title: President

NUI SERVICE, INC.

By: /S/ Charles N. Garber

Title: Treasurer

By: /S/ A. Mark Abramovic

Title: Vice President

NUI SALES MANAGEMENT, INC.

By: /S/ Charles N. Garber

Title: Treasurer

By: /S/ A. Mark Abramovic

Title: Vice President

T.I.C. ENTERPRISES, L.L.C.

By: /S/ Charles N. Garber

Title: Treasurer

By: /S/ A. Mark Abramovic

Title: Vice President

EXHIBIT NO. 12

NUI CORPORATION AND SUBSIDIARIES

CONSOLIDATED RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in thousands)

	Year Ended September 30,				
	2002	**2001***	**2000***	**1999**	**1998**
Income from continuing operations before income taxes	$27,383	$46,022	$34,999	$41,718	$21,024
Add:					
Interest element of rentals charged to income (a)	3,752	3,239	2,345	3,144	3,239
Interest expense	22,454	25,067	21,708	21,836	20,496
Earnings as defined	$53,589	$74,328	$59,052	$66,698	$44,759
Interest expense	$22,454	$25,067	$21,708	$21,836	$20,496
Capitalized interest	173	1,548	754	83	272
Interest element of rentals charged to income (a)	3,752	3,239	2,345	3,144	3,239
Fixed charges as defined	$26,379	$29,854	$24,807	$25,063	$24,007
Consolidated ratio of earnings to fixed charges	2.03	2.49	2.38	2.66	1.86

(a) Includes the interest element of rentals where determinable plus 1/3 of rental expense where no readily defined interest element can be determined.

* As Restated (see Note 2 of the Notes to the Consolidated Financial Statements)

EXHIBIT NO. 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002

In connection with the annual report on Form 10–K of NUI Corporation (the "company") for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, John Kean, Jr., Chief Executive Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002, that:

1) the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the company.

/s/ John Kean, Jr.

John Kean, Jr.

President and

Chief Executive Officer

December 30, 2002

EXHIBIT NO. 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002

In connection with the annual report on Form 10–K of NUI Corporation (the "company") for the period ended September 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, A. Mark Abramovic, Chief Operating Officer and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002, that:

1) the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the company.

/s/ A. Mark Abramovic

A. Mark Abramovic

Chief Operating Officer and

Chief Financial Officer

December 30, 2002

Created by 10KWizard Technology www.10KWizard.com

EXHIBIT B

Articles of Incorporation

FILED

FEB 22 2000

State Treasurer

CERTIFICATE PURSUANT TO N.J.S.A. 14A:9-5 BY INTERNATIONAL TELEPHONE GROUP, INC.

TO: Secretary of State
State of New Jersey

Pursuant to the provisions of N.J.S.A. 14A:9-5 of the New Jersey Business Corporation Act, the undersigned Corporation certifies that:

1. The name of the Corporation is International Telephone Group, Inc. to be changed by the attached Restated and Amended Certificate of Incorporation to "NUI Telecom, Inc."

2. The attached Restated and Amended Certificate of Incorporation was approved by the Directors of the Corporation and thereafter duly adopted by the shareholders of the Corporation on the date hereof.

3. The total number of shares entitled to vote was 94.9375. The number of shares voting for such amendment was 94.9375. The number of shares voting against such amendment is 0.

4. The Amended and Restated Certificate of Incorporation shall be effective as of February 22, 2000.

NUI Telecom, Inc.
formerly International Telephone Group, Inc.

DATED: 2/18/00

By: _____
John Kean, Jr.
Chairman

\legal\ITG\Certificate Pursuant to NJSA

ARTICLE VII. MEETINGS

Any action required or permitted to be taken by the shareholders of the Corporation must be effected at an annual or special meeting of shareholders of the Corporation or may be taken without a meeting if all the shareholders entitled to vote thereon consent thereto in writing. Except as otherwise required by law and subject to the rights of the holders of any class or any series of preferred stock having a preference over the common stock as to dividends or upon liquidation, special meetings of shareholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized Directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption).

ARTICLE VII. CORPORATE BY-LAWS

Except as set forth in the final sentence of this subsection, the By-Laws of the Corporation may be altered, amended or repealed by the affirmative vote of a majority of the entire Board of Directors then in office. The By-Laws of the Corporation may also be altered, amended or repealed by the shareholders, but only by an affirmative vote of the holders of at least 75 percent of all the then-outstanding shares of the voting stock, voting together as a single class. Any By-Law may provide that it may only be altered, amended or repealed by the affirmative vote of the holders of at least 75 percent of all the then-outstanding shares of the voting stock, voting together as a single class, in which event such By-Law may only be altered, amended or repealed by such vote.

ARTICLE IX. NO PERSONAL LIABILITY/INDEMNIFICATION OF CORPORATE AGENTS

(a) A Director or officer of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as Director or officer, as the case may be, except to the extent that such exemption from liability or limitation of liability is not permitted under the New Jersey Business Corporation Act as currently in effect or as subsequently amended. No amendment to or repeal of this Article IX and no amendment to or repeal or termination of effectiveness of any law permitting the exemption from or limitation of liability provided for in this Article IX shall apply to or have any effect on the liability or alleged liability of any Director or officer for or with respect to any acts or omissions of that director or officer occurring prior to such amendment, repeal or termination of effectiveness.

(b)(1) Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that such person or anyone for whom such person is the legal representative, is or was a Director or officer of the Corporation or is or was serving at the request of the Corporation as a Director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action or inaction in an official capacity as a Director, officer, employee or agent or in any other capacity while serving as a Director, officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the New Jersey Business Corporation Act or any other law, as the same exists or may hereafter be amended (but in the case of any such amendment, only to the extent that such amendment

permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to be a Director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in this paragraph (b), the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this paragraph (b) shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the New Jersey Business Corporation Act requires, the payment of such expenses incurred by a Director or officer in his or her capacity as a Director or officer of the Corporation (and not in any other capacity in which service was or is rendered by such person while a Director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Director or officer, to repay all amounts so advanced unless it shall ultimately be determined that such Director or officer is entitled to be indemnified under this Section or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of Directors and officers.

(2) Right of Claimant to Bring Suit. If a claim under subparagraph (b)(1) is not paid in full by the Corporation within 30 days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or part, the claimant shall be entitled to be paid also the expense (including, without limitation, reasonable attorney fees) of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the New Jersey Business Corporation Act for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because the claimant has met the applicable standard of conduct set forth in the New Jersey Business Corporation Act nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(3) Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this paragraph (b) shall not be exclusive of any other right which any person may have or hereafter acquire

under any statute, provision of the Certificate of Incorporation, by-law, agreement, vote of shareholders or disinterested Directors or otherwise.

(4) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any Director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the New Jersey Business Corporation Act.

ARTICLE X. AMENDMENTS

The Corporation reserves the right to amend and repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of New Jersey. All rights herein conferred are granted subject to this reservation.

NUI Telecom, Inc.

By: _____
John Kean, Jr.
Chairman

By: _____
Richard M. Boudria
President

_____
James R. Van Horn
Secretary

FILED

APR 14 1994

LONNA R. HOOKS
Secretary of State

CERTIFICATE OF INCORPORATION

OF

INTERNATIONAL TELEPHONE GROUP, INC.

ARTICLE I. CORPORATE NAME

The name of the Corporation is INTERNATIONAL TELEPHONE GROUP, INC.

ARTICLE II. REGISTERED OFFICE

The address of the Corporation's registered office in the State of New Jersey is 1300 Mount Kemble Avenue, Morristown, New Jersey, 07960. The name of the registered agent of the Corporation at such address is Richard M. Boudria.

ARTICLE III. CORPORATE PURPOSE

The Corporation is organized to engage in any business that may be permitted by the New Jersey Business Corporation Act.

ARTICLE IV. AUTHORIZED SHARES

The total number of shares of stock which the Corporation is authorized to issue is two thousand five hundred (2,500) shares of common stock, having no par value.

ARTICLE V. CORPORATE POWERS

The Corporation shall have and exercise all powers and privileges now or subsequently conferred by the laws of the State of New Jersey, including without limitation all powers necessary or appropriate for the accomplishment of the stated purposes for which the Corporation is organized.

ARTICLE VI. BOARD OF DIRECTORS

The Corporation shall be governed by a board of directors. The number of directors composing the initial board shall be one (1). The name and address of the person who shall serve as initial director is:

Richard M. Boudria
1300 Mount Kemble Avenue
Morristown, New Jersey 07960

The number of directors other than the initial directors shall be fixed by the by-laws, which may specify that the number of directors shall not be less than a specified minimum or more than a specified maximum and provide a method for determining the actual number. The shareholders of the Corporation shall have the authority to elect or remove any or all of the directors with or without cause on the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote for the election of directors.

ARTICLE VII. CORPORATE BY-LAWS

In furtherance and not in limitation of the powers conferred by the laws of the State of New Jersey, the board of directors is expressly authorized to adopt, amend or repeal the by-laws.

ARTICLE VIII. INDEMNIFICATION OF CORPORATE AGENTS

Every corporate agent, as defined in Section 14A:3-5 of the New Jersey Business Corporation Act, shall be indemnified by the Corporation to the full extent permitted by law against any and all liability and reasonable costs and expenses incurred by the agent in connection with or resulting from any claim, action, suit or proceeding in which the agent may be involved by reason of being or having been a director, officer or employee, provided that the agent has not engaged in willful misconduct in the performance of any duties.

ARTICLE IX. NO PERSONAL LIABILITY FOR DUTY OF CARE

To the fullest extent permitted by Section 14A:2-7 of the New Jersey Business Corporation Act as the same now exists or may hereafter be amended in a manner more favorable to directors, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of their duty of care as a director.

ARTICLE X. AMENDMENTS

The Corporation reserves the right to amend and repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of New Jersey. All rights herein conferred are granted subject to this reservation.

ARTICLE XI. INCORPORATOR

The incorporator is Grace C. Bertone, whose mailing address is c/o McElroy, Deutsch & Mulvaney, 1300 Mt. Kemble Avenue, P.O. Box 2075, Morristown, New Jersey 07962-2075.

ARTICLE XII. EFFECTIVE DATE

I, THE UNDERSIGNED, being the incorporator, for the purpose of forming a Corporation under the laws of the State of New Jersey do make, file and record this Certificate of Incorporation, do certify that the facts herein stated are true and, accordingly, have hereto set my hand and seal this 12th day of April, 1994.

Grace C. Bertone
Incorporator

wpproac2842

EXHIBIT C

Certificate of Authority to Transact Business

Secretary of State
Division of Business Services
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, Tennessee 37243

DATE: 11/29/01
REQUEST NUMBER: 4357-2409
TELEPHONE CONTACT: (615) 741 2286
FILE DATE/TIME: 11/29/01 1108
EFFECTIVE DATE/TIME: 11/29/01 1108
CONTROL NUMBER: 0417797

TO:
CORPORATION GUARANTEE AND TRUST CO
TWO GREENWOOD SQUARE
3331 STREET RD S110
BENSALEM, PA 19020

RE:
NUI TELECOM, INC.
APPLICATION FOR CERTIFICATE OF AUTHORITY -
FOR PROFIT

WELCOME TO THE STATE OF TENNESSEE. THE ATTACHED CERTIFICATE OF AUTHORITY HAS BEEN FILED WITH AN EFFECTIVE DATE AS INDICATED ABOVE.

A CORPORATION ANNUAL REPORT MUST BE FILED WITH THE SECRETARY OF STATE ON OR BEFORE THE FIRST DATE OF THE FOURTH MONTH FOLLOWING THE CLOSE OF THE CORPORATION'S FISCAL YEAR. PLEASE PROVIDE THIS OFFICE WITH WRITTEN NOTIFICATION OF THE CORPORATION'S FISCAL YEAR. THIS OFFICE WILL MAIL THE REPORT DURING THE LAST MONTH OF SAID FISCAL YEAR TO THE CORPORATION AT THE ADDRESS OF ITS PRINCIPAL OFFICE OR TO A MAILING ADDRESS PROVIDED TO THIS OFFICE IN WRITING. FAILURE TO FILE THIS REPORT OR TO MAINTAIN A REGISTERED AGENT AND OFFICE WILL SUBJECT THE CORPORATION TO ADMINISTRATIVE REVOCATION OF ITS CERTIFICATE OF AUTHORITY.

WHEN CORRESPONDING WITH THIS OFFICE OR SUBMITTING DOCUMENTS FOR FILING, PLEASE REFER TO THE CORPORATION CONTROL NUMBER GIVEN ABOVE.

FOR: APPLICATION FOR CERTIFICATE OF AUTHORITY FOR PROFIT

ON DATE: 11/29/01

FROM:
CORPORATION GUARANTEE AND TR
3331 STREET ROAD
SUITE 110
BENSALEM, PA 19020-0000

	FEES	
RECEIVED:	$600.00	$0.00

TOTAL PAYMENT RECEIVED: $600.00

RECEIPT NUMBER: 00002965192
ACCOUNT NUMBER: 00362848

Riley C. Darnell

RILEY C. DARNELL
SECRETARY OF STATE

SS-4458

Dec-07-01 04:05p corporation guarantee 1 215 633 8160 p.16

State of Tennessee

Department of State
Corporations Section
18th Floor, James K. Polk Building
Nashville, TN 37243-0306

APPLICATION FOR CERTIFICATE OF AUTHORITY (FOR PROFIT)

For Office Use Only

FILED

01 NOV 29 AM 11:08

SECRETARY OF STATE

To the Secretary of State of the State of Tennessee:

Pursuant to the provisions of Section 48-25-103 of the Tennessee Business Corporation Act, the undersigned corporation hereby applies for a certificate of authority to transact business in the State of Tennessee, and for that purpose sets forth:

1. The name of the corporation is NUI TELECOM, INC.

*If different, the name under which the certificate of authority is to be obtained is _____

[NOTES: The Secretary of State of the State of Tennessee may not issue a certificate of authority to a foreign corporation for profit if its name does not comply with the requirements of Section 48-14-101 of the Tennessee Business Corporation Act. *If obtaining a certificate of authority under a different corporate name, an application for registration of an assumed corporate name must be filed pursuant to Section 48-14-101(d) with an additional $20.00 fee.]

2. The state or country under whose law it is incorporated is NEW JERSEY

3. The date of its incorporation is 4/14/1994 (must be month, day, and year), and the period of duration, if other than perpetual, is PERPETUAL

4. The complete street address (including zip code) of its principal office is

550 ROUTE 202-206, 2ND FL., BEDMINSTER, NJ 07921
Street / City / State/Country / Zip Code

5. The complete street address (including the county and the zip code) of its registered office in Tennessee and the name of its registered agent is

230 FOURTH AVENUE NORTH, 3RD FL., NASHVILLE, TN 37219-
Street / City / County / Zip Code

JOSEPH MARTIN, JR., ESQ.
Registered Agent

6. The names and complete business addresses (including zip code) of its current officers are: (Attach separate sheet if necessary.) SEE ATTACHED LIST

7. The names and complete business addresses (including zip code) of its current board of directors are: (Attach separate sheet if necessary.)

RICHARD M. BOUDRIA - DIRECTOR - 14 KNAPTON HILL RD., MENDHAM, NJ 07945
ROBERT F. LURIE - DIRECTOR - 8 STURBRIDGE CT., LAMBERTVILLE, NJ 08530

8. If the corporation commenced doing business in Tennessee prior to the approval of this application, the date of commencement (month, day and year) UPON QUALIFICATION

9. The corporation is a corporation for profit.

10. If the document is not to be effective upon filing by the Secretary of State, the delayed effective date/time is _____, _____ (date), _____ (time).

[NOTE: A delayed effective date shall not be later than the 90th day after the date this document is filed by the Secretary of State.]

[NOTE: This application must be accompanied by a certificate of existence (or a document of similar import) duly authenticated by the Secretary of State or other official having custody of corporate records in the state or country under whose law it is incorporated. The certificate shall not bear a date of more than two (2) months prior to the date the application is filed in this state.]

11/16/01
Signature Date

President + CEO
Signer's Capacity

NUI TELECOM, INC.
Name of Corporation

Richard M. Boudria
Signature

Richard M. Boudria
Name (typed or printed)

SS-4431 (Rev. 3/99) RDA 1678

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NUI TELECOM, INC.

LIST OF OFFICERS & DIRECTORS

NAME	OFFICE HELD	ADDRESS
Richard M. Boudria	Dir., President & CEO	14 Knapton Hill Road Mendham, NJ 07945
Jeanne M. Bratsafolis	Secretary	7 Kary Way Morristown, NJ 07960
Patti Helfer	Treasurer	14 Stout Drive Belle Meade, NJ 08502
Robert F. Lurie	Director	8 Sturbridge Court Lambertville, NJ 08530

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STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
SHORT FORM STANDING

NUI TELECOM, INC.
With the Previous or Alternate Name
INTERNATIONAL TELEPHONE GROUP, INC. (Previous Name)

I, the Treasurer of the State of New Jersey, do hereby certify that the above-named New Jersey Domestic Profit Corporation was registered by this office on April 14, 1994.

As of the date of this certificate, said business continues as an active business in good standing in the State of New Jersey, and its Annual Reports are current.

I further certify that the registered agent and registered office are:

Richard M Boudria
1300 Mount Kemble Avenue
Morristown, NJ 07960

Continued on next page . . .

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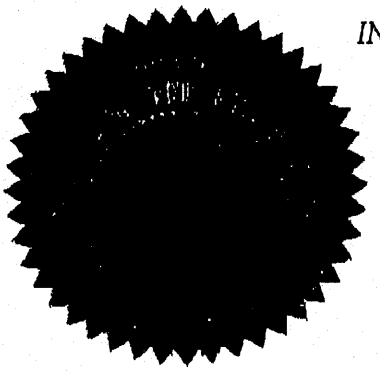
STATE OF NEW JERSEY
DEPARTMENT OF TREASURY
SHORT FORM STANDING

NUI TELECOM, INC.
With the Previous or Alternate Name
INTERNATIONAL TELEPHONE GROUP, INC. (Previous Name)



IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my Official Seal at Trenton, this 27th day of November, 2001

Peter R Lawrance
Acting State Treasurer

DEC-07-01 04:07P corporation guarantee 1 215 633 8160 P.20

EXHIBIT D

Corporate Officers

OFFICERS AND DIRECTORS

NUI TELECOM, INC.
550 Route 202/206
Bedminster, NJ 07921
(908) 470-4700

Officers:

Richard M. Boudria	President/CEO
Jeanne M. Bratsafolis	Secretary
Patti Helfer	Treasurer

Directors:

Richard M. Boudria
Robert Lourie

Ownership:

Applicant is a wholly owned subsidiary of NUI Corporation.

EXHIBIT E

Biographies

Management Team

Richard Boudria
Chairman/CEO

Following his service as a Captain in the U.S. Marine Corps., Mr. Boudria received his MBA from the University of Maryland in 1973. Since that time he has held corporate positions in finance, marketing and strategic planning with Merrill Lynch, Xerox and GTE respectively.

He then went on to provide telecommunications consulting services to such companies as IBM, Morgan Stanley and Chase, prior to founding International Telephone Group (ITG), in 1994.

Upon building ITG into a sizable and profitable telecom provider, he sold the company to NUI Corporation, five years later. Today, Dick continues to oversee the company's operations and expansion as President & CEO, while also serving as an officer of the parent company, NUI.

Bill Mulcahy
President/COO

After eighteen years experience in the development and management of "real-time" data and voice systems within the global financial community, at such firms as Citicorp, JJ Kenny & Reuters, Bill was involved, as a co-founder, in the start-up of a number of Internet companies based on advanced multimedia and transactional technology. Some of the clients these companies supported ranged from AT&T, Boeing and WorldCom to Goldman Sachs, Reuters and Polygram.

Upon the sale of his London based Internet company, Bill returned to the US and provided consulting services to the healthcare community prior to coming to NUI Telecom as a consultant in March of 2000. He was made the VP of technology and new ventures at NUI Telecom in January of this year and is responsible for the strategic planning and management of NUI Telecom's operations and partnership ventures that include becoming a facilities based carrier with expansion into international markets.

Tom McCrossen
VP Marketing

Prior to joining NUI, Tom was a founder and principal of LDM Systems, a multi-faceted telecommunications firm that offered local and long distance voice and data products within the United States. Since LDM's acquisition by RSL Communications, Tom held the positions of Executive Vice President for Retail Markets and Vice President for Business development. Tom was responsible for key acquisitions within the US and integration of its global marketing strategy, with particular emphasis on RSL's operations in the Dominican Republic, Mexico and Canada.

With over twenty years experience in the telecommunications industry, Tom has held management positions at Allnet Communications, MCI Communications and Rochester Telephone. While at MCI, he was a three-time member of the Chairman's 100 Inner Circle, in recognition as the top revenue-producing channel in the company.

Tom has also served on the Mayor's task force for telecommunications for the City of New York and helped the city draft the Telecommunications Recovery Act for the City of New York.

David Rodgers
VP Finance/CFO

After receiving his MBA at the top of his class from Purdue, David worked in positions of increasing responsibility with United Technologies and GAF, including Director of International Finance and Director of Financial Planning and Analysis. He has extensive experience in business planning, cross-border cash management, and international capital investment. David led the effort to execute International Telephone Group's acquisition by NUI, and to integrate the two companies' financial and information systems. As CFO of NUI Telecom, he managed the consolidation of billing systems and led other important initiatives.

Scott Howsare
VP Operations

Scott has worked in the telecommunications industry since 1995, serving in positions of increasing responsibility with National Tel and Network One, including Operations Manager and Vice President of Product and OSS [operations support systems] Integration. Scott is extremely well versed in provisioning, customer support and billing systems within the CLEC market, and is a valuable new addition to the team.

EXHIBIT F

Financial Qualifications

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to_____

Commission File Number 001-16385

NUI CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey	22-3708029
(State of incorporation)	(IRS employer identification no.)

550 Route 202-206, PO Box 760, Bedminster, New Jersey 07921-0760

(Address of principal executive offices, including zip code)

(908) 781-0500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares outstanding of each of the registrant's classes of common stock, as of July 31, 2002: Common Stock, No Par Value: 15,763,049 shares outstanding.

In accordance with the Temporary Final Rule relating to "Requirements for Arthur Andersen LLP Auditing Clients" dated March 18, 2002, the company's March 31, 2002 Form 10-Q was filed on May 14, 2002, with unaudited financial statements that had not been reviewed by an independent accountant in accordance with Rule 10-01(d). Under this temporary rule, the company had sixty (60) days from May 14, 2002 to engage another independent accountant to perform a review of those unaudited financial statements. Under the terms of this Temporary Final Rule, the company's new independent public accountants, PricewaterhouseCoopers LLP, completed a review of the March 31, 2002 financial statements and no changes requiring an amendment to the company's previously filed Form 10-Q were necessary.

NUI Corporation and Subsidiaries

Consolidated Statement of Income (Unaudited)

(Dollars in thousands, except per share amounts)

	Three Months Ended June 30		Nine Months Ended June 30	
	2002	2001	2002	2001
Operating Margins	$191,345	$222,637	$691,116	$940,504
Operating revenues	139,097	166,039	488,159	746,270
Less – Purchased gas and fuel	8,723	6,115	22,389	14,790
Cost of sales and services	2,007	2,459	9,101	11,249
Energy taxes	41,518	48,024	171,467	168,195
Other Operating Expenses	30,247	29,552	87,498	77,859
Operations and maintenance	----	----	1,203	----
Restructuring costs	8,467	7,621	23,919	21,830
Depreciation and amortization	2,233	1,875	6,221	5,697
Taxes, other than income taxes	40,947	39,048	118,841	105,386
Operating Income	571	8,976	52,626	62,809
Other Income and Expense, Net	(347)	556	142	1,278
Income from Continuing Operations before Interest and Taxes	224	9,532	52,768	64,087
Interest expense	4,597	5,503	15,149	17,008
Income (loss) from Continuing Operations before Income Taxes	(4,373)	4,029	37,619	47,079
Income taxes	(1,767)	1,365	15,414	19,188
Income (loss) from Continuing Operations before Effect of Change in Accounting	(2,606)	2,664	22,205	27,891
Discontinued Operations	(12,151)	(3,246)	(14,471)	(6,262)
Loss from discontinued operations	(4,366)	(1,243)	(5,248)	(2,198)
Income tax benefit	(7,785)	(2,003)	(9,223)	(4,064)
Loss from Discontinued Operations				
Income (loss) before Effect of Change in Accounting	(10,391)	661	12,982	23,827
Effect of change in accounting (net of tax benefit of $11,501)	----	----	(21,359)	----
Net Income (Loss)	$(10,391)	$661	$(8,377)	$23,827
Income (Loss) from Continuing Operations Per Share of Common Stock	$(0.17)	$0.19	$1.52	$2.11
Net Income (Loss) Per Share of Common Stock	$(0.66)	$0.05	$(0.57)	$1.80
Dividends Per Share of Common Stock	$0.245	$0.245	$0.735	$0.735

Weighted Average Number of Shares of Common Stock Outstanding	15,758,326	13,739,237	14,632,307	13,221,829

See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries

Consolidated Balance Sheet

(Dollars in thousands)

	June 30, 2002 (Unaudited)	September 30, 2001
ASSETS		
Current Assets		
Cash and cash equivalents	$3,359	$3,274
Accounts receivable (less allowance for doubtful accounts of $2,201 and $2,103, respectively)	111,615	87,700
Fuel inventories, at average cost	20,125	54,776
Unrecovered purchased gas costs	25,283	10,096
Derivative assets	23,036	27,973
Federal income taxes receivable	1,711	17,077
Prepayments and other	66,242	84,577
	251,371	285,473
Property, Plant and Equipment		
Property, plant and equipment, at original cost	940,150	896,013
Accumulated depreciation and amortization	(299,680)	(283,507)
Unamortized plant acquisition adjustments	22,211	23,154
	662,681	635,660
Funds for Construction Held by Trustee	3,853	12,570
Other Investments	216	5,095
Assets Held for Sale	44,365	77,527
Other Assets		
Regulatory assets	74,779	105,726
Goodwill	16,523	29,663
Deferred charges and other assets	16,056	19,086
	107,358	154,475
	$1,069,844	$1,170,800
CAPITALIZATION AND LIABILITIES		
Current Liabilities		
Notes payable to banks	$125,560	$184,610
Notes payable	3,000	3,000
Current portion of long–term debt and capital lease obligations	21,798	22,102
Accounts payable, customer deposits and accrued liabilities	122,960	150,996
Derivative liabilities	961	19,994
State income and other taxes	10,948	8,189
	285,227	388,891
Other Liabilities		
Capital lease obligations	3,143	3,188
Deferred Federal income taxes	87,736	105,628
Liabilities held for sale	4,907	4,819
Unamortized investment tax credits	4,058	4,387
Environmental remediation reserve	31,475	31,929
Regulatory and other liabilities	34,974	33,824
	166,293	183,775
Capitalization		
Common shareholders' equity	309,308	289,145
Long–term debt	309,016	308,989

	618,324	598,134
	$1,069,844	$1,170,800

See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries

Consolidated Statement of Cash Flows (Unaudited)

(Dollars in thousands)

	Nine Months Ended June 30,	
	2002	2001
Operating Activities		
Net income (loss)	$(8,377)	$23,827
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	25,782	24,365
Deferred Federal income taxes	(17,707)	6,353
Amortization of deferred investment tax credits	(329)	(328)
Cumulative effect of change in accounting	32,860	—
Derivative assets and liabilities	(1,609)	(20,135)
Other	26,507	16,676
Effect of changes in:		
Accounts receivable, net	(23,781)	11,414
Fuel inventories	34,651	1,560
Accounts payable, deposits and accruals	(28,098)	(15,315)
Over (under) recovered purchased gas costs	(3,546)	(43,218)
Other	17,713	(18,405)
Net cash provided by (used in) operating activities	54,066	(13,206)
Financing Activities		
Proceeds from sales of common stock, net of treasury stock purchased	37,462	417
Dividends to shareholders	(10,722)	(9,777)
Notes Receivable from Virginia Gas	—	(13,000)
Funds for construction held by trustee, net	8,866	14,122
Principal payments under capital lease obligations	(1,530)	(1,332)
Net short-term (repayments) borrowings	(57,199)	73,705
Net cash (used in) provided by financing activities	(23,123)	64,135
Investing Activities		
Cash expenditures for utility plant	(43,630)	(30,266)
Sales of subsidiaries	4,099	—
Acquisitions, net of cash acquired	(666)	(12,794)
Change in assets and liabilities held for sale	9,865	(3,349)
Other	(526)	(1,064)
Net cash used in investing activities	(30,858)	(47,473)
Net increase in cash and cash equivalents	$85	$3,456
Cash and Cash Equivalents		
At beginning of period	$3,274	$3,515
At end of period	$3,359	$6,971
Supplemental Disclosures of Cash Flows		
Income taxes paid (refunded), net	$(3,735)	$3,865
Interest paid	$16,862	$20,832

See the notes to the consolidated financial statements

NUI Corporation and Subsidiaries

Notes to the Consolidated Financial Statements

1. Basis of Presentation

The consolidated financial statements include all operating divisions and subsidiaries of NUI Corporation (collectively referred to as NUI or the company). NUI is a company engaged in the sale and distribution of natural gas, energy commodity trading and marketing, storage and pipeline activities, and telecommunications. NUI's local distribution companies serve more than 380,000 customers in seven states along the eastern seaboard of the United States and comprise Elizabethtown Gas Company (New Jersey), City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania), Waverly Gas (New York) and Virginia Gas Company (VGC) (see Note 3). Virginia Gas is also engaged in other activities, such as pipeline operation and natural gas storage. The company's other non-regulated businesses include NUI Energy, Inc. (NUI Energy), an energy retailer; NUI Energy Brokers, Inc. (NUI Energy Brokers), a wholesale energy trading and portfolio management subsidiary; NUI Environmental Group, Inc., an environmental project development subsidiary; Utility Business Services, Inc., (UBS), a digital mapping and customer information systems and services subsidiary; NUI Telecom, Inc. (NUI Telecom), a telecommunications services subsidiary and TIC Enterprises, LLC (TIC), a sales outsourcing subsidiary (see Note 4). All intercompany accounts and transactions have been eliminated in consolidation. The company has no related party transactions.

As discussed in Note 8, at June 30, 2002, the company has classified the results of North Carolina Gas, Valley Cities Gas, Waverly Gas and certain product lines of TIC Enterprises as Discontinued Operations in the Consolidated Statement of Income. The assets and liabilities of these subsidiaries have been classified as Assets Held for Sale and Liabilities Held for Sale in the Consolidated Balance Sheet.

The consolidated financial statements contained herein have been prepared without audit in accordance with the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of management, are necessary for a fair statement of the results for interim periods. With the exception of the adjustment to record the effect of a change in accounting discussed in Note 6, discontinued operations discussed in Note 8, and the restructuring charges discussed in Note 9, all adjustments made were of a normal recurring nature. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto that are included in the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2001. Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

NUI is a holding company and is exempt from registration under the Public Utility Holding Company Act of 1935. NUI's wholly owned subsidiary, NUI Utilities, Inc., is subject to regulation as an operating utility by the public utility commissions of the states in which it operates. Certain subsidiaries of VGC are regulated by the Virginia State Corporation Commission. Because of the seasonal nature of gas utility operations, the results for interim periods are not necessarily indicative of the company's results for an entire year.

2. Common Shareholders' Equity

The components of common shareholders" equity were as follows (dollars in thousands):

	June 30, 2002	September 30, 2001
Common stock, no par value	$284,953	$240,680
Shares held in treasury	(4,384)	(2,246)
Retained earnings	35,903	55,002
Unearned employee compensation	(7,164)	(4,291)
Total common shareholders' equity	$309,308	$289,145

3. Purchase of Virginia Gas Company

On March 28, 2001, the company completed its acquisition of Virginia Gas Company (VGC). The acquisition was treated as a merger whereby VGC became a wholly owned subsidiary of NUI. The purchase price totaled $29 million and included the issuance of 792,600 shares of NUI common stock, with the remainder paid in cash. VGC is a natural gas storage, pipeline, and distribution company, which operates in a region of the nation that has experienced a rapidly growing demand for natural gas and power generation.

The acquisition was accounted for as a purchase. The excess of the purchase price over the fair value of the net assets of VGC was approximately $8.1 million. Until October 1, 2001, this goodwill was being amortized on a straight-line basis over a 30-year period (see Note 6).

At the time VGC was acquired, it had two 50 percent owned subsidiaries, Virginia Gas Storage Company (VGSC) and Virginia Gas Distribution Company (VGDC). On October 4, 2001, the company completed its acquisition of the remaining 50 percent interests in VGSC and VGDC from the two individuals that each owned 25 percent of the stock of both companies. Under terms of the agreements entered into with those two individuals in June 2001, the company paid each owner $750,000 and issued to each owner 72,324 shares of NUI Common Stock in exchange for the owner's stock in both VGSC and VGDC. The acquisition was accounted for

as a purchase. The fair value of the net assets was equal to the purchase price.

On October 11, 2001, the company sold the capital stock of Virginia Gas Propane Company, a subsidiary of VGC, to Heritage Holdings, Inc. The sales price was approximately $3.8 million.

On March 1, 2002, the company sold the capital stock of Virginia Gas Exploration Company and Virginia Gas Marketing, subsidiaries of VGC, to Appalachian Energy, Inc. The sales price was approximately $0.8 million.

4. Acquisition of TIC Enterprises

On May 15, 2001, the company acquired the remaining 51 percent interest of TIC Enterprises, LLC (TIC) it did not previously own. NUI paid the majority owner $5 million, which was paid in cash and a $3 million note payable (see Note 5) and assumed the outstanding debt of TIC. The acquisition was accounted for as a purchase. The excess of the aggregate purchase price paid by NUI for its 100 percent interest in TIC over the fair value of the net assets acquired was approximately $38 million and was being amortized on a straight-line basis over a 25-year period through October 1, 2001 (see Note 6).

In March 2002, the company approved a plan to sell TIC. Subsequently, the company decided to retain the network services and wireless product lines (see Note 8).

5. Note Payable

Under terms of an LLC Interest Purchase Agreement dated May 8, 2001, notes payable represents amounts owed to the former 51 percent owner of TIC Enterprises, LLC under a convertible subordinated unsecured promissory note by TIC issued in conjunction with the company's acquisition of the remaining equity interest of TIC on May 15, 2001. The note, which bears interest at 7 percent per annum, was payable on the maturity date of January 2, 2002. Under the terms of the note, should the note not be paid at the maturity date, the former owner of TIC had the option to convert the note into limited liability membership units representing 100 percent of the fully diluted equity of TIC (the Conversion Option). Should the former owner of TIC exercise the Conversion Option, in exchange for the 100 percent ownership of TIC, the former owner would have to pay NUI in excess of $20 million.

On January 11, 2002, TIC notified the former owner that it has offsetting claims against the note obligation under the LLC Interest Purchase Agreement. As of August 13, 2002, TIC has not paid the note, and the former owner's right to exercise the Conversion Option has expired.

On April 4, 2002, the former owner of TIC filed suit against NUI and TIC to collect on the note. The company is vigorously defending this claim against the former owner and is unable to assess the outcome of the litigation at this time. The impact of this litigation will not have a material negative impact on NUI, as the full amount of the original note payable is recorded on the Consolidated Balance Sheet at June 30, 2002.

6. Goodwill

The excess of the cost over the fair value of net assets of acquired businesses is recorded as goodwill. On October 1, 2001, the company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Intangible Assets" (SFAS 142). The carrying value of goodwill for each of the company's subsidiaries is no longer subject to amortization, but must be tested for impairment annually or earlier under certain circumstances. Implementation of this accounting pronouncement required the company to perform a fair value assessment to determine if the fair value of its subsidiaries with goodwill exceeded their carrying amounts. The company has completed its fair value assessment of the subsidiaries that meet the requirements of SFAS 142. Using the present value of expected future cash flows to determine the fair value of TIC, the company recognized a transitional goodwill impairment loss of approximately $32.9 million related to the carrying value of the goodwill for its TIC subsidiary. A goodwill impairment adjustment for the fair market valuations of NUI Telecom and VGC was not necessary.

The changes in the carrying amount of goodwill (net of amortization) for the nine months ended June 30, 2002, are as follows (in thousands):

	NUI Telecom	NUI Virginia Gas	TIC Enterprises	Total
Balance as of September 30, 2001	$4,982	$5,551	$38,261	$48,794
Reclassification to intangible assets	—	(2,200)	(159)	(2,359)
Additional goodwill during the period (net)	—	4,705	1,728	6,433
Transitional impairment loss	—	—	(32,860)	(32,860)
Amount written-off in discontinued operations	—	—	(3,485)	(3,485)
Balance as of June 30, 2002	$4,982	$8,056	$3,485	$16,523

As discussed in Note 8– Discontinued Operations, approximately $19.1 million of the goodwill of TIC Enterprises was reclassified to Assets Held for Sale in the Consolidated Balance Sheet at September 30, 2001.

The following table sets forth the effect of SFAS 142 for the three–month periods ended June 30 (in thousands, except per share amounts):

	2002	2001	2000
Reported net income (loss)	$(10,391)		
			$661
			$1,464
Add back: Goodwill amortization			

			375
			257
Adjusted net income (loss)			
			$(10,391)
			$1,036
			$1,721
			=========
			======
			======
Basic and Diluted Earnings per Share:			
Reported net income (loss)			
			$(0.66)
			$0.05
			$0.11
Goodwill amortization			

			0.03
			0.02
Adjusted net income (loss)			
$(0.66)			
			$0.08

$0.13

The following table sets forth the effect of SFAS 142 for the nine-month periods ended June 30 (in thousands, except per share amounts):

	2002	2001	2000
Reported net income (loss)	$(8,377)	$23,827	$26,818
Add back: Transitional impairment loss (net of tax)	21,359	—	—
Add back: Goodwill amortization	101	948	772
Adjusted net income	$13,083	$24,775	$27,590
Basic Earnings per Share:			
Reported net income (loss)	$(0.57)	$1.80	$2.08
Transitional impairment loss			1.46
Goodwill amortization			0.01
			0.07
			0.06
Adjusted net income			
$0.90			
$1.87			
$2.14			
Diluted Earnings per Share:			
Reported net income (loss)			$(0.57)
			$1.80
			$2.08

Transitional impairment loss			1.45

Goodwill amortization			0.01
			0.07
			0.06
Adjusted net income			
$0.89			
$1.87			
$2.14			
			======
			=======
			=======

7. Acquired Intangible Assets

The company has $2.1 million of development rights from its acquisition of Virginia Gas, net of $55,000 of accumulated amortization, that have been classified as acquired intangible assets and included in Deferred Charges and Other Assets on the Consolidated Balance Sheet at June 30, 2002

The aggregate amortization for the nine-months ended June 30, 2002, was $55,000. Estimated annual amortization is $73,333 for each fiscal year through September 30, 2006.

8. Discontinued Operations

The company has adopted the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). This statement excludes from the definition of long-lived assets goodwill and other intangibles that are not amortized in accordance with SFAS 142. SFAS 144 requires that long-lived assets to be disposed of by sale be measured at the lower of their carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. SFAS 144 also expands the reporting of discontinued operations to include components of an entity that have been or will be disposed of rather than limiting such discontinuance to a segment of a business. Accordingly, the revenues, costs and expenses, assets, liabilities, and cash flows of the entities NUI is holding for sale have been segregated and reported as discontinued operations for all periods presented.

On October 5, 2000, the company agreed to sell the assets of its Valley Cities Gas and Waverly Gas utility divisions (VCW) to C&T Enterprises, Inc. (C&T), of Pennsylvania for $15 million. The transaction is expected to close on or about September 30, 2002, after all regulatory approvals have been obtained. VCW generated operating revenues of $2.2 million and $2.4 million for the three months ended June 30, 2002, and 2001, respectively. VCW generated operating revenues of $8.1 million and $10.5 million for the nine months ended June 30, 2002, and 2001, respectively. VCW had assets of $15.7 million and liabilities of $0.9 million that have been classified as held for sale as of June 30, 2002.

On May 15, 2002, the company agreed to sell the assets of its North Carolina Gas utility division (NC) to Piedmont Natural Gas of North Carolina for approximately $26 million. The transaction is expected to close on or about December 31, 2002, after all regulatory approvals have been obtained. NC generated operating revenues of $2.5 million for each of the three-month periods ended June 30, 2002, and 2001. NC generated operating revenues of $11.7 million and $20.9 million for the nine months ended June 30, 2002, and 2001, respectively. NC had assets of $26.1 million and liabilities of $3.8 million that have been classified as held for sale as of June 30, 2002.

In March 2002, the company approved a plan to sell its TIC Enterprises subsidiary, at which time the Company began to actively seek a buyer. During the third quarter of fiscal 2002, TIC continued to incur operating losses primarily as a result of the economy, the marketplace for telephone equipment and various operational issues with the United States Postal Service (USPS) product lines. In June 2002, the company decided to retain TIC's profitable wireless and network service product lines and continued to seek a buyer for the telephone equipment and USPS product lines. In accordance with SFAS 144, the net assets of the wireless and network services product lines were reclassified back to assets held and used in June 2002, and are now under the management of NUI Telecom. The net assets of the remaining two product lines continued to be classified as held for sale at June 30, 2002. The company did not receive any acceptable offers and NUI announced on July 16, 2002, that it has ceased the operations of its telephone and USPS product lines, and TIC has notified the USPS accordingly.

TIC's discontinued product lines generated operating revenues of $0.8 million and $3.2 million for the three months ended June 30, 2002, and 2001, respectively. TIC's discontinued product lines generated operating revenues of $7.6 million and $3.2 million for and nine–month periods ended June 30, 2002, and 2001, respectively. In addition, NUI recognized a charge of $8.0 million to write–down the net assets of these two product lines to their fair value. This charge included the write–off of approximately $3.5 million of goodwill allocated to these product lines. NUI expects to record additional charges such as severance and related charges of approximately $1.0 million related to the shut down of these two operations in the fourth quarter of fiscal 2002. TIC's discontinued product lines had assets of $2.6 million and liabilities of $0.1 million that have been classified as held for sale as of June 30, 2002. Prior to the acquisition of TIC on May 15, 2001, the company recorded pre–tax equity losses of $0.8 million and $5.9 million for the three and nine–month periods ended June 30, 2001, respectively.

9. Restructuring Charges

In December 2001, the company commenced a reorganization effort that resulted in workforce reductions. The reorganization efforts resulted in accounting charges of approximately $1.2 million, primarily relating to severance costs. The company has paid approximately $0.4 million of severance costs and $0.2 million of other expenses related to the reorganization. At June 30, 2002, the company has a remaining accrual of $0.6 million related to this charge, which are expected to be paid out by December 31, 2002.

10. Earnings per Share

The following table summarizes the company's basic and diluted earnings per share calculations (amounts are in thousands, except per share amounts):

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2002	2001	2002	2001
Income (loss) from continuing operations	$(2,606)	$2,664		
				$22,205
				$27,891
Loss from discontinued operations				
				(7,785)
				(2,003)
				(9,223)
				(4,064)
Effect of change in accounting				
				—
				—
				(21,359)
				—
Net income (loss)				

	$(10,391)
	$ 661
	$(8,377)
	$23,827
	=====
	======
	=====
	======
Weighted Average Shares Outstanding	
	15,758
	13,739
	14,632
	13,222
Dilutive shares:	
Stock options	
	5

	2

Issuable for acquisitions	
	201

	89

Weighted Average Equivalent Shares	
	15,964
	13,739
	14,723
	13,222
Basic Earnings (loss) per Share:	

Income (loss) from continuing operations		
		$(0.17)
		$0.19
		$1.52
		$2.11
Loss from discontinued operations		
		(0.49)
		(0.14)
		(0.63)
		(0.31)
Effect of change in accounting		

		(1.46)

Net income (loss)		
		$(0.66)
	$0.05	
		$(0.57)
	$1.80	
		======
		======
		=======
		=======
Diluted Earnings (loss) per Share:		
Income (loss) from continuing operations		
		$(0.17)
		$0.19
		$1.51
		$2.11
Loss from discontinued operations		
		(0.49)

	(0.14)
	(0.63)
	(0.31)
Effect of change in accounting	
	(1.45)
Net income (loss)	$(0.66)
	$0.05
	$(0.57)
	$1.80

11. Contingencies

Environmental Matters.

The company is subject to federal and state laws with respect to water and air quality, solid waste disposal and employee health and safety matters, and to environmental regulations issued by the United States Environmental Protection Agency (EPA), the New Jersey Department of Environmental Protection (NJDEP) and other federal and state agencies.

The company owns, or previously owned, certain properties on which manufactured gas plants (MGP) were operated by the company or by other parties in the past. In New Jersey, the company has reported the presence of the six MGP sites to the EPA, the NJDEP and the New Jersey Board of Public Utilities (NJBPU) and is currently conducting remedial activities at all six sites with oversight from the NJDEP. The company also owns, or previously owned, 10 former MGP facilities located in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland. Based on the most recent assessment, the company has recorded a total reserve for environmental investigation and remediation costs of approximately $31.5 million, which is the probable minimum amount that the Company expects to expend during the next 5–20 years (an additional $0.6 million has been reclassified to Liabilities Held for Sale at June 30, 2002). Of this reserve, approximately $28.2 million relates to the six New Jersey MGP sites and approximately $3.3 million relates to the nine sites located outside New Jersey.

The company's prudently incurred remediation costs for the New Jersey MGP sites have been authorized by the NJBPU to be recoverable in rates over a rolling seven–year period through its MGP Remediation Adjustment Clause. As a result, the company has begun rate recovery of approximately $8.2 million of environmental costs incurred through June 30, 2000. Recovery of an additional $1.7 million in environmental costs incurred between July 1, 2000, and June 30, 2002, is currently pending NJBPU approval. Accordingly, the company has recorded a regulatory asset of approximately $34.4 million as of June 30, 2002, reflecting the future recovery of both incurred costs and future environmental remediation liabilities related to New Jersey MGP sites. The company has also been successful in recovering a portion of MGP remediation costs incurred for the New Jersey sites from the company's insurance carriers and continues to pursue additional recovery. Any amounts recovered from insurance carriers would reduce the amount of recorded regulatory assets. With respect to costs associated with the remaining MGP sites located outside New Jersey, the company intends to pursue recovery from ratepayers, former owners and operators, and insurance carriers, although the company is not able to express a belief as to whether any or all of these recovery efforts will be successful. The company is working with the regulatory agencies to prudently manage its MGP costs so as to mitigate the impact of such costs on both ratepayers and shareholders

Gas Procurement Contracts.

Certain of the company's long–term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $64 million annually. The company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. As a result of the forthcoming unbundling of natural gas services in New Jersey, these contracts may result in the realization of stranded costs by the company. Management believes the outcome of these actions will not have a material effect on the company's results. The company also is committed to purchase, at market–related prices, minimum quantities of gas that, in the aggregate, are approximately 2.6 billion cubic feet (Bcf) per year or to pay certain costs in the event the minimum quantities are not taken. The company expects that minimum demand on its systems for the duration of these contracts will continue to

exceed these minimum purchase obligations.

Other.

The company is involved in various claims and litigation incidental to its business. In the opinion of management, none of these claims and litigation will have a material adverse effect on the company's results of operations or its financial condition.

12. New Accounting Standards

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). This statement establishes accounting standards for recognition and measurement of liabilities for asset retirement obligations and the associated asset retirement costs. The company will implement this statement on October 1, 2002, and does not expect the adoption of this statement to have a material impact on net income.

In June 2002, the Emerging Issues Task Force (EITF) issued EITF 02-03, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 02-03). The purpose of EITF 02-03 is to address certain issues related to energy trading activities, including (a) gross versus net presentation in the income statement, (b) whether the initial fair value of an energy trading contract can be other than the price at which it was exchanged (i.e., whether there is any profit at inception), and (c) additional disclosure requirements for energy trading activities. The Task Force reached a final consensus related to issue (a) above that mark-to-market gains and losses on energy trading contracts (whether realized or unrealized and whether financially or physically settled) must be shown net in the income statement and that disclosures of energy trading activities be expanded. The Task Force has not yet ruled on the other issues.

EITF 02-03 is effective for periods ending after July 15, 2002, with reclassification of prior period amounts required. As a result of the EITF's final consensus on issue (a) above, NUI Energy Brokers (NUIEB) must record the margins it earns on its trading activities, whether physical or financial, as operating revenues. Through June 30, 2002, NUIEB included both the cost of purchased gas and the operating margin earned on all of its physical energy transactions (physical volumes of gas bought and sold to third parties) in operating revenues and classified the cost of that gas as a component of Purchased Gas and Fuel on the Consolidated Statement of Income. Historically, NUIEB has recorded only the operating margin component for all of its financial trades (futures, options, swaps) and has classified these amounts as a component of purchased gas costs on the Consolidated Income Statement. Under EITF 02-03, this will have no net effect on these transactions other than to reclassify them to operating revenues rather than purchased gas costs. The company expects that this issue will reduce previously reported revenues and purchased gas costs for NUIEB by approximately $85.7 million and $91.4 million for the three-month periods ended June 30, 2002, and 2001, respectively, and by approximately $242.5 million and $402.0 million for the nine-month periods ended June 30, 2002, and 2001, respectively. The company is evaluating the impact, if any, EITF 02-03 would have on its NUI Energy subsidiary.

13. Business Segment Information

The company's operations are organized and managed as three primary segments: Distribution Services, Wholesale Energy Marketing and Trading and Retail and Business Services. The Distribution Services segment distributes natural gas in seven states through the company's regulated utility operations. The Wholesale Energy Marketing and Trading segment reflects the operations of the company's NUI Energy Brokers and VGC subsidiaries (excluding Virginia Gas Distribution Company), as well as off-system sales made by NUI Energy Brokers on behalf of the utility operations. The Retail and Business Services segment reflects the operations of the company's NUI Energy, UBS, and NUI Telecom subsidiaries, as well as appliance leasing, repair and maintenance operations. The results of North Carolina Gas, Valley Cities Gas, Waverly Gas, and the product lines of TIC Enterprises that are being closed have been classified as discontinued operations. The company also has corporate operations that do not generate any revenues.

The following table provides information concerning the major segments of the company for the three-month and nine-month periods ended June 30, 2002 and 2001. Revenues include intersegment sales to affiliated entities, which are eliminated in consolidation. Certain reclassifications have been made to prior year segment data to conform with the current year's presentation.

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Dollars in thousands)	2002	2001	2002	2001
Revenues:				
Distribution Services	$72,941	$99,767	$354,793	$459,544
Wholesale Energy Marketing and Trading	111,018	129,779	323,653	510,898
Retail and Business Services	44,753	42,837	146,547	138,104
Intersegment Revenues	(32,040)	(41,643)	(106,482)	(133,540)
Total Revenues	$196,672	$230,740	$718,511	$975,006
Pre-Tax Operating Income (Loss):				
	$1,293	$1,949	$50,829	$54,090

Distribution Services	758	4,933	10,145	11,614
Wholesale Energy Marketing and Trading	(12,451)	1,441	(17,205)	489
Retail and Business Services	$(10,400)	$8,323	$43,769	$66,193
Total Pre–Tax Operating Income				

A reconciliation of the company's segment revenues and pre–tax operating income to amounts reported on the consolidated financial statements is as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
(Dollars in thousands)	2002	2001	2002	2001
Segment Revenues	$196,672	$230,740	$718,511	$975,006
Discontinued operations	(5,327)	(8,103)	(27,395)	(34,502)
Total Revenues reported	$191,345	$222,637	$691,116	$940,504
Segment Pre–Tax Operating Income (Loss)	$(10,400)	$8,323	$43,769	$66,193
Non–segment pre–tax operating loss	(981)	(968)	(3,765)	(1,277)
Loss (income) from discontinued operations	11,605	2,177	12,764	(829)
Pre–Tax Operating Income reported	$ 224	$9,532	$52,768	$64,087

NUI Corporation and Subsidiaries

Summary Consolidated Operating Data

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2002	2001	2002	2001
Operating Revenues (Dollars in thousands)				
Firm Sales:				
Residential	$36,914	$50,131	$205,832	$242,352
Commercial	10,811	19,236	73,482	104,109
Industrial	1,855	1,870	7,322	10,817
Interruptible Sales	11,751	18,836	29,712	68,539
Unregulated Sales	104,362	113,207	308,668	478,051
Transportation Services	11,033	9,035	37,119	32,135
Customer Service, Appliance Leasing and Other	19,946	18,425	56,376	39,003
Total Revenues	196,672	230,740	718,511	975,006
Less: Discontinued Operations	(5,327)	(8,103)	(27,395)	(34,502)
Operating Revenues from Continuing Operations	$191,345	$222,637	$691,116	$940,504
Gas Sold or Transported (MMcf)				
Firm Sales:				
Residential	3,299	3,891	19,254	23,056
Commercial	1,228	1,841	7,801	10,627
Industrial	221	78	908	1,072
Interruptible Sales	2,598	3,207	7,689	9,866
Unregulated Sales	28,642	22,836	86,135	74,687
Transportation Services	9,343	8,282	30,365	27,520
	45,331	40,135	152,152	146,828
Average Utility Customers Served				
Firm Sales:				
Residential	357,453	354,129	357,108	353,916
	24,180	23,891	24,117	23,885

Commercial	264	250	264	260
Industrial	39	38	40	44
Interruptible Sales	4,016	3,457	4,052	3,681
Transportation	386,952	381,765	385,581	381,786
Degree Days in New Jersey				
Actual	537	485	3,960	4,971
Normal	566	568	5,093	5,101
Percentage variance from normal	5% warmer			15% warmer
				22% warmer
				3% warmer
Employees (period end)				
				1,415
				1,750

NUI Corporation and Subsidiaries

Management's Discussion and Analysis of Financial Condition

and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements of NUI Corporation included elsewhere herein and with the company's Form 10-K for the year ended September 30, 2001.

Overview

The following discussion and analysis refers to NUI Corporation and all of its operating divisions and subsidiaries (collectively referred to as NUI or the company). NUI is engaged in the sale and distribution of natural gas, energy commodity trading and marketing, storage and pipeline activities, and telecommunications. The company's local distribution operations provide natural gas and related services to more than 380,000 customers in seven states along the eastern seaboard of the United States and comprise Elizabethtown Gas Company (New Jersey), City Gas Company of Florida, North Carolina Gas, Elkton Gas (Maryland), Valley Cities Gas (Pennsylvania), Waverly Gas (New York) and Virginia Gas. Virginia Gas is also engaged in other activities, such as pipeline operation and natural gas storage. The company's other non-regulated subsidiaries include NUI Energy, Inc. (NUI Energy), an energy retailer; NUI Energy Brokers, Inc. (NUI Energy Brokers), a wholesale energy trading and portfolio management subsidiary; NUI Environmental Group, Inc., an environmental project development subsidiary; Utility Business Services, Inc. (UBS), a digital mapping and customer information systems and services subsidiary; NUI Telecom, Inc. (NUI Telecom), a telecommunications services subsidiary; and TIC Enterprises, LLC (TIC), a sales outsourcing subsidiary.

As of June 30, 2002, the company has classified North Carolina Gas, Valley Cities Gas, Waverly Gas, and certain product lines of TIC as discontinued operations (see Note 8 of the Notes to the Consolidated Financial Statements).

Results of Operations

Three-Month Periods Ended June 30, 2002 and 2001

Net Income (Loss).

Net loss for the three–month period ended June 30, 2002, was $10.4 million, or $0.66 per share, as compared with net income of $0.7 million, or $0.05 per share, for the three–month period ended June 30, 2001. The decrease was primarily due to losses incurred by TIC (see Note 8 to the Notes to the Consolidated Financial Statements), as well as a non–cash pre–tax charge of approximately $8.0 million to write–down the net assets of these two product lines to their fair value. As discussed in Note 8 to the Notes to the Consolidated Financial Statements, NUI adopted the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long–Lived Assets," and accordingly has classified the operating results of its entities being held for sale as discontinued operations. Net loss from continuing operations was $2.6 million for the three–months ended June 30, 2002, compared to net income of $2.7 million in the prior year. The decrease in the current fiscal year was primarily the result of reduced trading activity due to reduced volatility of the price of the natural gas commodity, fewer trading counterparties as a result of unfavorable conditions in the energy marketplace, and lower credit limits extended by NUI to its counterparties in accordance with the company's strict risk management policies.

Operating Revenues.

The company's operating revenues include amounts billed for the cost of purchased gas pursuant to purchased gas adjustment clauses. Such clauses enable the company to pass through to its customers, via periodic adjustments to customers' bills, increased or decreased costs incurred by the company for purchased gas without affecting operating margins. Since the company's utility operations do not earn a profit on the sale of the gas commodity, the company's level of regulated operating revenues is not necessarily indicative of financial performance.

The company's operating revenues decreased by $31.3 million, or 14 percent, to $191.3 million for the three–month period ended June 30, 2002, as compared to $222.6 million for the three–month period ended June 30, 2001.

The company's Distribution Services revenue decreased by approximately $26.4 million, or 28 percent, to $68.4 million from $94.8 million in fiscal 2001, due to a reduced volume of gas sold as a result of the continued impact of the warm weather on customer billings in April, weaker economic conditions impacting all customer classes, but mainly commercial and industrial customers, and slightly lower natural gas prices in the current year period than in the prior fiscal year.

Wholesale Energy Marketing and Trading revenues decreased by approximately $10.1 million, or 11 percent, to $81.0 million from $91.1 million in fiscal 2001, mainly due to the decrease in the price of natural gas. This decrease was partially offset by increased revenues of approximately $1.0 million by Virginia Gas, mainly due to the acquisition of Virginia Gas Storage Company, which was a 50 percent owned subsidiary during the prior fiscal year (see Note 3 of the Notes to the Consolidated Financial Statements).

Retail and Business Services revenue increased by approximately $5.2 million, or 14 percent, to $41.9 million from $36.7 million in fiscal 2001, mainly due to increased sales by NUI Telecom of $5.3 million as a result of customer growth, acquisitions, and the inclusion of two product lines from the company's TIC Enterprises subsidiary (see Note 8 to the Notes to the Consolidated Financial Statements). The company's appliance service business increased revenues by approximately $0.5 million due to additional installation revenues as compared to the same period in the prior year. These increases were partially offset by lower revenues of $0.6 million by UBS, resulting from revised pricing to a large customer in the current year as compared to same period in the prior year. In December 2001, UBS entered into an agreement with this customer to provide billing services to a greater number of accounts, which is expected to be completed during the fourth quarter of fiscal 2002.

Operating Margins.

The company's operating margins decreased by $6.5 million, or 14 percent, to $41.5 million for the three–month period ended June 30, 2002, as compared to $48.0 million for the three–month period ended June 30, 2001.

Distribution Services segment margins for the three–month period ended June 30, 2002, decreased $1.7 million, or 5 percent, to $30.6 million from $32.3 million in the prior year. The decrease was principally a result of reduced usage of natural gas by the company's commercial customers due to weaker economic conditions experienced in the current fiscal year as compared to the prior year.

Operating margins from the company's Wholesale Energy Marketing and Trading segment decreased by approximately $4.0 million, or 52 percent, to $3.8 million for the three–month period ended June 30, 2002, from $7.8 million in the prior year. This decrease was primarily the result of a $4.8 million reduction in margins from NUI Energy Brokers due to reduced trading activity due to fewer trading partners and the enforcement of tighter credit limits by Energy Brokers on its counterparties; higher nationwide natural gas inventories during the current quarter, which limited NUI Energy Brokers' ability to profit from summer/winter trading spreads; the significant declining trend in gas prices during the third quarter of fiscal 2001 that resulted in substantial mark–to–market profits on fixed–price sales contracts a year ago; and a large electricity brokerage transaction with $1.1 million in margin during the third quarter of fiscal 2001, which did not recur in the current year quarter. This decrease was partially offset by increased margins of $0.8 million by NUI Virginia Gas as a result of the company's acquisition of Virginia Gas Storage Company, which was a 50 percent owned investment in the prior fiscal year.

Operating margins decreased in the Retail and Business Services segment by approximately $0.8 million, or 10 percent, to $7.1 million for the three–month period ended June 30, 2002, from $7.9 million in the prior year. The decrease was due to lower margins of $3.5 million by NUI Energy due to the stabilization of the price of natural gas during the current year period as compared to the three–month period a year ago. During the three–months ended June 30, 2001, the price of natural gas had declined significantly from its unprecedented highs earlier in the year. As a result, NUI Energy was able to generate approximately $2.8 million of new business as customers sought to enter into annual contracts to protect them from future natural gas price increases. The price of natural gas has not changed significantly during the current three–month period, and, as a result, NUI Energy was unable to generate the same amount of margins from new customers as it had in the prior year. Also contributing to the current year decrease was $0.5 million of reduced margins by UBS due to the effect of the pricing revisions noted above. Partially offsetting these decreases were higher margins by NUI Telecom of $2.9 million and the company's appliance services business of $0.3 million. As noted earlier, NUI Telecom has

experienced significant growth from additional customers and acquisitions (see Capital Expenditures and Commitments– NUI Telecom).

Other Operating Expenses

. Operations and maintenance expenses increased by approximately $0.7 million, or 2 percent, to $30.2 million for the three–month period ended June 30, 2002, as compared to $29.5 million in the prior year. The increase was the result of increased costs incurred by NUI Telecom to support its customer growth (see Capital Expenditures and Commitments– NUI Telecom), as well as higher costs for employee benefits, including medical and pension expenses.

Deprecation and amortization increased by $0.8 million as a result of additional fixed assets placed in service during the current fiscal year.

Taxes other than income taxes increased $0.4 million primarily due to additional payroll taxes associated with the additional employees to support the growth of NUI Telecom.

Interest Expense

. Interest expense decreased approximately $0.9 million, or 16 percent, to $4.6 million for the three–month period ended June 30, 2002, compared to $5.5 million in the prior year. The decrease was primarily due to reduced levels of short–term indebtedness following the company's March 2002 equity offering, and lower short–term borrowing rates.

Nine–Month Periods Ended June 30, 2002 and 2001

Net Income (Loss).

Net loss for the nine–month period ended June 30, 2002, was $8.4 million, or $0.57 per share, as compared with net income of $23.8 million, or $1.80 per share, for the period ended June 30, 2001. The decrease in the current fiscal year was primarily due to the company's adoption of Statement of Financial Accounting Standards No. 142, which resulted in a one–time, non–cash transitional impairment charge of $21.4 million (after–tax), or $1.46 per share (see Note 6 to the Notes to the Consolidated Financial Statements). The company also recorded a non–recurring restructuring cost of $1.2 million, related to severance costs as a result of workforce reductions (see Note 9 to the Notes to the Consolidated Financial Statements). The company was adversely affected during the nine–month period ended June 30, 2002, by the effect of significantly warmer weather and reduced margins by its energy trading operations due to reduced trading activity in the energy marketplace (see Operating Revenues and Operating Margins), and by $10.9 million of after–tax losses incurred by the company's TIC Enterprises subsidiary, which the company intends to dispose of and has classified as Discontinued Operations (see Note 8 to the Notes to the Consolidated Financial Statements).

Operating Revenues.

The company's operating revenues decreased by $249.4 million, or 27 percent, to $691.1 million for the nine–month period ended June 30, 2002, as compared to $940.5 million for the nine–month period ended June 30, 2001.

The company's Distribution Services revenue decreased by approximately $93.2 million, or 22 percent, to $335.0 million from $428.2 million in fiscal 2001, mainly due to the significantly warmer weather, lower gas prices, and reduced usage by commercial customers as a result of weakening economic conditions. Weather in New Jersey was 22 percent warmer than normal and 20 percent warmer than the prior year period.

Wholesale Energy Marketing and Trading revenue decreased by approximately $162.4 million, or 42 percent, to $223.4 million from $385.8 million in fiscal 2001. This decrease was primarily due to the significant decline in natural gas prices and generally reduced trading activity during the nine–month period ended June 30, 2002 as compared to the prior year. This decrease was partially offset by $5.1 million of revenues from the addition of Virginia Gas.

Retail and Business Services revenue increased by approximately $6.2 million, or 5 percent, to $132.7 million from $126.5 million in fiscal 2001, due to increased revenues by NUI Telecom of $13.4 million due to customer growth, acquisitions and the assumption of two product lines formerly operated by TIC during the current year period, and an additional $1.5 million of revenues by the company's appliance services business due to improved pricing and additional installations. Partially offsetting these increases was a decrease of $8.7 million by NUI Energy due to a decline in, and subsequent stabilization of, natural gas prices during the current fiscal year, as compared to the prior year.

Operating Margins

. The company's operating margins increased by $3.3 million, or 2 percent, to $171.5 million for the nine–month period ended June 30, 2002, as compared to $168.2 million for the nine–month period ended June 30, 2001.

The Distribution Services segment margins decreased $3.4 million, or 2 percent, to $133.9 million from $137.3 million in the prior year. This decrease was due to the warmer weather discussed above, which was partially offset by the base rate increase in Florida during fiscal 2001, and customer growth. As a result of weather normalization clauses, operating margins were approximately $8.5 million and $0.6 million higher in the fiscal 2002 and 2001 periods, respectively, than they otherwise would have been without such clauses.

Operating margins from the company's Wholesale Energy Marketing and Trading segment increased by approximately $2.1 million, or 12 percent, to $19.3 million from $17.2 million in fiscal 2001, as a result of additional margins by VGC of $5.0 million, and increased margins from utility off–system sales of $0.5 million. Partially offsetting these increases were reduced margins by NUI Energy Brokers of $3.4 million due to reduced trading activity caused by much lower volatility in natural gas prices, as well as lower liquidity in the marketplace.

The Retail and Business Services segment increased operating margins by approximately $4.6 million, or 34 percent, to $18.3 million from $13.7 million in the prior year. The increase was due to higher margins of $5.9 million from the previously discussed growth by NUI Telecom, and an additional $1.3 million by the company's appliance business as a result of increased sales and reductions in the costs of providing services. These increases were partially offset by lower margins by NUI Energy of $2.7 million due to the stabilization of the price of natural gas. As discussed earlier, during the third quarter of fiscal 2001, the lower cost of natural gas resulted in a substantial increase in new customer contracts to protect against future price increases. The less volatile price for natural gas experienced during the current fiscal year has resulted in lower customer growth.

Other Operating Expenses.

Operations and maintenance expenses increased approximately $9.6 million, or 12 percent, to $87.5 million for the nine–month period ended June 30, 2002, as compared to $77.9 million for the nine–month period ended June 30, 2001. The increase was primarily due to the inclusion of Virginia Gas for the full nine–month period, increased employee benefits costs related to medical and pension, and additional expenses incurred to support the company's customer growth.

Depreciation and amortization expense increased approximately $2.1 million primarily due to the inclusion of Virginia Gas for a full year and additional fixed assets placed in service during the current fiscal year.

Interest Expense

. Interest expense decreased approximately $1.8 million, or 11 percent, to $15.2 million, as compared to $17.0 million in the prior year period. The decrease was due to reduced average interest rates during the current year period, and the company's ability to recover interest on its under–recovered gas cost balance since April 1, 2001. Accordingly, the first six months of the prior fiscal year amount include the costs associated with financing the company's under–recovered gas balance. The current year benefits were partially offset by higher levels of average short–term debt during the nine–month period ended June 30, 2002 than during the prior year.

Regulatory Matters

On November 1, 2000, the New Jersey Board of Public Utilities (NJBPU) issued an order approving an increase in the New Jersey Purchased Gas Adjustment (PGA) clause by 17.3 percent. The rate increase was effective immediately and resulted in a revenue increase of approximately $47 million annually. In addition, the company was allowed to increase the PGA through a Flexible Pricing Mechanism (FPM), which allowed the company to make additional pricing adjustments on a monthly basis of approximately 2 percent each month between December 2000 and April 2001. Each of these FPM increases resulted in additional revenues of up to $6 million on an annual basis. The increases in the PGA rate were granted to cover the higher costs of natural gas purchases, which had risen from about $2.50 per dekatherm in July 1999 to more than $10.00 per dekatherm in January 2001 (see Liquidity and Capital Resources).

In a December 1, 2000 filing, the company requested the extension of the 2 percent FPM rate adjustments for an additional three months and authorization to record interest on its under–recovered gas balance. On March 30, 2001, the NJBPU issued an order approving the company's request to extend the monthly 2 percent increases through July 2001 if actual gas costs warranted such increases. The company has implemented these increases. In addition, the order allowed the company to begin recording interest on its under–recovered gas cost balance and to establish a new Gas Cost Under–recovery Adjustment (GCUA) to recover the gas cost under–recovery balance as of October 31, 2001, with associated interest over a three–year period from December 1, 2001, through November 30, 2004. In addition, pursuant to the order, the company was required to make a filing on November 15, 2001, to establish a new PGA rate designed to recover purchased gas costs for the period November 1, 2001, through September 30, 2002. In that filing, the company requested approval to decrease its PGA rate and implement its GCUA rate, with a net effect representing a decrease of 12.7 percent in residential customer bills. The NJBPU approved the Company's request on an interim basis and these changes became effective December 1, 2001.

The company's City Gas Company of Florida division received approval from the Florida Public Service Commission on January 16, 2001, to increase its annual base rates by $5.13 million. The increase represents a portion of the company's request to cover the cost of service enhancements and reliability improvements since City Gas' last base rate increase in 1996. The new rate level provides for an allowed return on equity of 11.5 percent and an overall allowed rate of return of 7.88 percent.

In response to the Electric Discount and Energy Competition Act which was signed into law in February 1999, on March 30, 2001, the NJBPU approved a Stipulation which enabled all retail customers in New Jersey to choose a natural gas supplier, provided an incentive for these customers to choose an alternate natural gas supplier and allowed the company to continue offering basic gas supply service through December 2002, when the NJBPU will decide if the gas supply function should be removed from the gas distribution companies and made competitive. As of June 30, 2002, no residential customers in the company's New Jersey service territory have switched to an alternative gas supplier.

On April 16, 2002, Elizabethtown Gas Company filed a request with the NJBPU to increase its base rates by $28.6 million, or about 9 percent, in order to recover the cost of plant additions and increases in operating expenses since its last rate increase over twelve years ago. The requested rate level would provide for an allowed return on equity of 11.75 percent and an overall rate of return of 8.95 percent. Elizabethtown Gas also is seeking changes to its tariff that will enable it to more accurately reflect current weather patterns as well as recover the costs of system improvements without the need for frequent base rate increases. The company also is proposing increases in its service charges to more directly match the cost of providing service to its various classes of customers. It is expected that new base rates would be approved by the NJBPU and take effect on or about December 31, 2002.

On July 26, 2002, the company was notified by the Virginia State Corporation Commission (VSCC) that its Virginia Gas subsidiary was to be fined $410,000 under a Notice of Probable Violation for deficiencies in its pipeline operation. Under the terms of this notice, the company is to pay $55,000 in August 2002, and the remaining $355,000 would be held in abeyance pending its compliance with a detailed corrective action plan. The company has asked the VSCC for an extension of time and expects to receive a final ruling by early September 2002.

Liquidity and Capital Resources

The company had net cash provided by operating activities of $54.1 million for the nine–month period ended June 30, 2002, compared to net cash used in operating activities of $13.2 million for the same period in the prior year. The change in the nine–month period ended June 30, 2002 was primarily due to substantial decreases in fuel inventories and under–recovered gas costs due to the significant decrease in gas costs and improved collection of gas costs from customers in the current year. Included in the cash used by operations for the nine–month period ended June 30, 2001, was a significant increase in under–recovered gas costs due to the increase in the price of natural gas experienced during the prior fiscal year. As noted in Regulatory Matters, these under–recovered gas costs are now a component of regulatory assets and will be recovered over a three–year period.

Because the company's business is highly seasonal, short–term debt is used to meet seasonal working capital requirements. The company also borrows under its bank lines of credit to finance portions of its capital expenditures, pending refinancing through the issuance of equity or long–term indebtedness at a later date, depending upon prevailing market conditions. Due to the large increase in the cost of natural gas last year and the build up of under–recovered gas costs noted earlier, the company has needed to raise capital through the issuance of long–term debt and draw downs of short–term financing under its various lines of credit. On January 31, 2002, the company filed a shelf registration statement on Form S–3 with the Securities and Exchange Commission, that enables the company to issue various types and combinations of securities, including common stock, preferred stock and debt, from time to time, up to an aggregate of $150 million. The shelf registration will enable NUI to raise funds from the offering of any security covered by the shelf registration statement, as well as any combination thereof, subject to market conditions and the company's capital needs.

The company sold 1.725 million shares of common stock for net proceeds of approximately $37.0 million during March 2002 under the shelf registration statement. The proceeds from the sale were used to pay down short–term debt.

The company also expects to complete certain asset sales during calendar 2002 (see Capital Expenditures and Commitments– Sale of Valley Cities Gas and Waverly Gas and Sale of North Carolina Gas) that will further reduce outstanding debt.

There has been no significant change in long–term debt, capital lease obligations, or operating lease obligations during the three–month period ended June 30, 2002. In addition, the Company does not have any off–balance sheet financing.

Short–Term Debt.

The weighted average daily amounts outstanding of notes payable to banks and the weighted average interest rates on those amounts were $175.2 million at 3.2 percent for the nine–month period ended June 30, 2002, and $154.1 million at 5.9 percent for the nine–month period ended June 30, 2001. At June 30, 2002, the company had outstanding notes payable to banks amounting to $125.6 million and available unused lines of credit amounting to $100.4 million. Notes payable to banks decreased as of June 30, 2002, as compared to the balance outstanding at September 30, 2001, primarily due the receipt of the proceeds from the equity offering discussed above.

Long–Term Debt and Funds for Construction Held by Trustee.

On August 20, 2001, the company issued $60 million of Senior Notes with interest rates ranging from 6.60 percent to 7.29 percent. The proceeds were used to repay short–term indebtedness, which was used in part to acquire Virginia Gas and TIC.

The company deposited in trust the unexpended portion of the net proceeds from its Gas Facilities Revenue Bonds until drawn upon for eligible expenditures. As of June 30, 2002, all of the original net proceeds from the bonds have been expended. The remaining $3.9 million classified as Funds for Construction Held by Trustee on the company's Consolidated Balance Sheet at June 30, 2002, represents the unexpended portion of interest earned on the original net proceeds of the bonds.

Common Stock.

The company periodically issues shares of common stock in connection with NUI Direct, the company's dividend reinvestment and stock purchase plan, and various employee benefit plans. From time to time, the company may issue additional equity to reduce short–term indebtedness and for other general corporate purposes. As noted above, the company sold 1.725 million shares of its common stock for net proceeds of approximately $37.0 million in March 2002.

The company's long–term debt agreements include, among other things, restrictions as to the payment of cash dividends. Under the most restrictive of these provisions, the company is permitted to pay approximately $57.7 million of cash dividends at June 30, 2002.

Assets and Liabilities Held for Sale

. The company will complete the sales of its North Carolina Gas, Valley Cities Gas and Waverly Gas divisions following regulatory approval (see Capital Expenditures and Commitments– Sale of North Carolina Gas and Sale of Valley Cites Gas and Waverly Gas) and as of June 30, 2002, was actively seeking a buyer for certain product lines of its TIC Enterprises subsidiary. In accordance with the provisions of Statement of Financial Accounting Standards No. 144, the company has classified the assets and liabilities of these entities as Held for Sale on the Consolidated Balance Sheet at June 30, 2002 (see Note 8 to the Notes to the Consolidated Financial Statements).

Capital Expenditures and Commitments

Capital expenditures, which consist primarily of expenditures to expand and upgrade the company's gas distribution systems, were $43.6 million for the nine–month period ended June 30, 2002 as compared to $30.9 million for the nine–month period ended June 30, 2001. The increased capital spending during the current fiscal year was due to the costs of completing the first portion of a distribution line through South–Central Florida to provide gas to a large industrial customer, as well as the towns of South Bay and Belle Glade, and the inclusion of Virginia Gas for the full nine–month period in the current year. Capital expenditures are expected to be approximately $50 million for all of fiscal 2002, as compared with a total of $60.5 million in fiscal 2001. The remaining capital expenditure budget for fiscal 2002 will be used primarily for the continued expansion and upkeep of the company's natural gas distribution system, as well as certain technology projects.

Environmental.

The company owns or previously owned six former manufactured gas plant (MGP) sites in the state of New Jersey and ten former MGP sites in the states of North Carolina, South Carolina, Pennsylvania, New York and Maryland. Based on the company's most recent assessment, the company has recorded a total reserve for environmental investigation and remediation costs of approximately $31.5 million, which is the probable minimum amount that the company expects it will expend in the next 5–20 years to remediate the company's MGP sites (an additional $0.6 million has been reclassified to Liabilities Held for Sale at June 30, 2002). Of this reserve, approximately $28.2 million relates to New Jersey MGP sites and approximately $3.3 million relates to the MGP sites located outside New Jersey. The company believes that all costs associated with the New Jersey MGP sites will be recoverable in rates or from insurance carriers. In New Jersey, the company is currently recovering environmental costs in rates over a rolling seven–year period through its MGP Remediation Adjustment Clause. As a result, the company has begun rate recovery of approximately $8.2 million of environmental costs incurred through June 30, 2000. Recovery of an additional $1.7 million in environmental costs incurred between July 1, 2000, and June 30, 2002, is currently pending NJBPU approval. With respect to costs that may be associated with the MGP sites located outside the state of New Jersey, the company intends to pursue recovery from ratepayers, former owners and operators of the sites and from insurance carriers. However, the company is not able, at this time, to express a belief as to whether any or all of these recovery efforts will ultimately be successful.

Gas Procurement Contracts

. Certain of the company's long–term contracts for the supply, storage and delivery of natural gas include fixed charges that amount to approximately $64 million annually. The company currently recovers, and expects to continue to recover, such fixed charges through its purchased gas adjustment clauses. As a result of the unbundling of natural gas services in New Jersey, these contracts may result in the realization of stranded costs by the company. Management believes the outcome of these actions will not have a material effect on the company's results. The company also is committed to purchase, at market–related prices, minimum quantities of gas that, in the aggregate, are approximately 2.6 billion cubic feet (Bcf) per year or to pay certain costs in the event the minimum quantities are not taken. The company expects that minimum demand on its systems for the duration of these contracts will continue to exceed these minimum purchase obligations.

Long–term Debt

. The company repaid $20 million of Medium–Term Notes bearing interest at 7.125 percent per annum on August 1, 2002. This amount has been included in current liabilities at June 30, 2002.

On July 22, 2002, the company sold and subsequently leased back approximately $8.6 million of gas meters under a capital lease. The capital lease, which bears interest at 4.98 percent per annum and has a term of approximately 10 years, will be repaid in monthly installments of approximately $82,000. The company has an option to purchase the gas meters during the tenth year for approximately $1.7 million. The proceeds from the sale of gas meters were used to repay a portion of the Medium–Term Notes discussed above.

Sale of Valley Cities Gas and Waverly Gas

. On October 5, 2000, the company agreed to sell the assets of its Valley Cities Gas and Waverly Gas utility divisions (VCW) to C&T Enterprises, Inc. (C&T), of Pennsylvania for $15 million. C&T will pay up to an additional $3 million to the company should certain post closing revenue targets be achieved. The transaction is expected to close on or about September 30, 2002, after all regulatory approvals have been obtained. For the nine months ended June 30, 2002, VCW generated $8.1 million of operating revenues, $3.1 million of operating margin and $1.8 million of operating income. The operating results of VCW have been classified as discontinued operations in the Consolidated Statement of Income at June 30, 2002 (see Note 8 to the Notes to the Consolidated Financial Statements).

The assets and liabilities of VCW have been classified as held for sale on the Consolidated Balance Sheet at June 30, 2002. The cash flows of VCW have been included in investing activities on the Consolidated Statement of Cash flows at June 30, 2002.

Sale of North Carolina Gas

. On May 15, 2002, the company agreed to sell the assets of its North Carolina Gas utility division (NC) to Piedmont Natural Gas, of North Carolina for $26 million. The transaction is expected to close on or about December 31, 2002, after all regulatory approvals have been obtained. For the nine months ended June 30, 2002, NC generated $11.7 million of operating revenues, $5.1 million of operating margin and $1.4 million of operating income. The operating results of NC have been classified as discontinued operations in the Consolidated Statement of Income at June 30, 2002 (see Note 8 to the Notes to the Consolidated Financial

Statements).

The assets and liabilities of NC have been classified as held for sale on the Consolidated Balance Sheet at June 30, 2002. The cash flows of NC have been included in investing activities on the Consolidated Statement of Cash flows at June 30, 2002.

Joint Venture with Duke Energy

. On April 30, 2001, the company announced an agreement with a unit of Duke Energy to develop a natural gas storage facility in Saltville, Virginia. NUI's Virginia Gas subsidiary and Duke Energy Gas Transmission (DEGT) have created a limited liability company, Saltville Gas Storage Company LLC (LLC). Upon approval by appropriate regulatory agencies, NUI Virginia Gas will contribute certain storage assets valued at approximately $16 million to the LLC. DEGT will contribute $16 million of capital required to expand the facility for its intended purpose.

The LLC plans to expand the present Saltville storage facility from its current capacity of 1 Bcf to approximately 12 Bcf and connect it to DEGT's East Tennessee Natural Gas interstate system. At full capacity, the Saltville storage field will be able to deliver up to 500 million cubic feet per day of natural gas to area markets. The Saltville facility features fast–injection and fast–withdrawal capabilities offered by salt cavern storage. The expansion will be completed in phases starting in fiscal 2003, with the first 6.1 Bcf of working storage capacity, to be completed by 2007. The market demand for additional storage will dictate the timing of the other phases of the expansion.

Development of the Saltville facility is intended to create a strategically located energy–trading hub for NUI's wholesale trading arm, NUI Energy Brokers, and enable the company to capitalize on the energy supply, wholesale trading and portfolio management opportunities in the rapidly developing Mid–Atlantic region. The additional storage capacity would allow the company to meet the significant demand from local distribution companies as well as power plant development that is underway in the region.

On October 26, 2001, the Joint Venture filed a certification application with the Virginia State Corporation Commission (VSCC). A public hearing was held in this matter on February 20, 2002 and the Hearing Examiner's report was issued on May 31, 2002. On August 6, 2002, the VSCC issued an Order Granting Certificate for the storage facilities and attendant pipeline. The Certificate authorizes the LLC to construct, develop and maintain Phase I of the project.

Development of Trading Hubs

. The company's wholesale trading subsidiary, NUI Energy Brokers (NUIEB), has acquired options on the land and mineral rights for property located in Richton, Perry County, Mississippi, that the company plans to develop into a natural gas storage facility to help serve the Southeast United States. NUIEB plans to develop a two–well salt dome storage facility in Richton that would have a working gas capacity of approximately 7.8 billion cubic feet.

The first well and a 14–mile pipeline to connect with the Destin Pipeline are tentatively scheduled to be operational by the end of the third quarter of 2003. Implementation of this development plan is dependent on favorable results from testing and other operational issues that are currently under consideration by the company.

The benefits of the Richton site to customers and NUIEB are: (1) its proximity to a number of major interstate pipelines, including Destin Pipeline and its connections to Williams Gas Pipeline–Transco, Florida Gas Transmission, Gulf South Pipeline, Tennessee Natural Gas, Southern Natural Gas and Gulfstream Pipeline; and (2) the quick–fill, quick–withdrawal capabilities offered by salt dome storage.

NUI Telecom

. *Agreement to Acquire Assets of Norcom, Inc.* On March 22, 2002, the company entered into an agreement to acquire certain assets of Norcom, Inc. (Norcom), including 4,000 customer accounts, for approximately $5 million, subject to post–closing adjustments, which is to be paid in NUI common stock. The transaction is expected to close on or about August 28, 2002, after regulatory approvals have been obtained in five states. Norcom is a provider of telecommunications services in the Northeast and Southeast regions of the United States and its customer accounts will be combined with the company's NUI Telecom subsidiary. The agreement provides that NUI Telecom assume management control of the business of Norcom effective March 1, 2002. Accordingly, the revenues and expenses of Norcom have been consolidated as of that date.

The number of shares of NUI common stock to be issued will be determined by dividing the total purchase price by $25.76 per share, which represents the average closing price of NUI's common stock for the first 20 of the 25 consecutive trading days immediately preceding the date regulatory approval was deemed effective by the Public Service Commission in the State of Maine on May 9, 2002.

Agreement to Acquire Assets of Norcom Agency Sales, Inc.

On March 22, 2002, the company entered into an agreement to acquire certain assets of Norcom Agency Sales, Inc. (NAS). The agreement provides for the company to pay the seller a multiple of total sales to new customers obtained by NAS as agent for NUI Telecom during the period April 1, 2002, through October 31, 2003. The multiple to be paid will be determined based on the actual new customer revenues generated by NAS for the month of October 2003, and is subject to post–closing adjustments.

The purchase price will be paid in NUI common stock. The number of shares of NUI common stock to be issued will be determined by dividing the total purchase price by the average closing price of NUI's common stock for the first 20 of the 25 consecutive trading days immediately preceding October 31, 2003. The company expects to close on this transaction in or around February 2004.

Agreement to Acquire Assets of Telcorp, Ltd.

On May 31, 2002, the company entered into an agreement to acquire certain assets of Telcorp, Ltd. (Telcorp). The agreement provides for the company to pay the seller a multiple of four times the annualized earnings before interest and taxes (EBIT). The annualized EBIT will be calculated based on Telcorp's operating results for the period June 1, 2002, through November 30, 2002, and is subject to post-closing adjustments. The company expects to close on this transaction on or about March 1, 2003.

In addition, the company entered into a letter agreement with Telcorp which provides that NUI Telecom assume management control of the business effective April 1, 2002. Accordingly, the revenues and expenses of Telcorp have been consolidated as of that date.

Other.

NUI Telecom is executing its growth strategy through both organic growth and acquisitions. These are acquisitions of customer relationships that are typically based on providing one product or service, that will allow NUI Telecom to offer their full suite of telecommunications products and services to these new customers, which is expected to further enhance operating margins. In addition, NUI Telecom has also leased capacity on a switch partition in New York City, with smaller leased capacity in Miami, Florida and London, England. These switch partitions provide NUI Telecom access to the wholesale telecommunications market on a domestic and international basis providing for sales of minutes to large customers, and provide opportunities to enhance service capabilities to its existing customers.

Market Risk Exposure

NUIEB uses derivatives for multiple purposes: i) to hedge price commitments and minimize the risk of fluctuating gas prices, ii) to take advantage of market information and opportunities in the marketplace, and iii) to fulfill its trading strategies and, therefore, ensure favorable prices and margins. These derivative instruments include forwards, futures, options and swaps. NUIEB accounts for its trading activities in accordance with the Emerging Issues Task Force Issue 98-10, by marking-to-market all trading positions. The majority of NUIEB' s positions are short-term in nature (up to 2 years) and can be readily valued using New York Mercantile Exchange settlement prices and those from several other well established, third-party organizations. There have been no changes in valuation techniques or assumptions during the nine-month period ended June 30, 2002.

The risk associated with uncovered derivative positions is closely monitored on a daily basis, and controlled in accordance with NUIEB's Risk Management Policy. This policy has been approved by the company's Board of Directors and dictates policies and procedures for all trading activities. The policy defines both value-at-risk (VaR) and loss limits, and all traders are required to read and follow this policy. At the end of each day, all trading positions are marked-to-market and a VaR is calculated. This information, as well as the status of all limits, is disseminated to senior management daily.

The following schedule summarizes the changes in derivative assets and liabilities for the nine-month period ended June 30, 2002 (in thousands):

Derivative assets at September 30, 2001	$27,973	
Derivative liabilities at September 30, 2001	(19,994)	
Fair value of contracts outstanding at September 30, 2001		$7,979
Contracts realized or settled during the period		(15,849)
Fair value of new contracts entered into during the period		6,460
Changes in fair value attributable to market pricing		23,485
Derivative assets at June 30, 2002		$23,036

Derivative liabilities at June 30, 2002

Fair value of contracts outstanding at June 30, 2002	$22,075

NUIEB utilizes the variance/covariance VaR methodology. Using a 95 percent confidence interval and a one-day time horizon, at June 30, 2002, NUI Energy Brokers' VaR was $210,000.

Critical Accounting Policies

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management considers Critical Accounting Policies to be those that could result in materially different financial statement results if our assumptions regarding application of accounting principles were different. A description of the company's Critical Accounting Policies follows. Other significant accounting policies are discussed in the company's 2001 Form 10-K, Note 1- Summary of Significant Accounting Policies. Recently issued accounting standards are discussed in Note 12 of the Notes to the Consolidated Financial Statements- New Accounting Standards.

Accounting for the Effects of Regulation

. The company's utility operations follow the accounting for regulated enterprises prescribed by Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation " (SFAS 71). In general, SFAS 71 requires deferral of certain costs and obligations, based upon orders received from regulators, to be recovered from or refunded to customers in future periods. In the event that the provisions of SFAS 71 were no longer applicable, the company would recognize a write-off of net regulatory assets (regulatory assets net of regulatory liabilities) that would result in a charge to income, which would be classified as an extraordinary item in the company's Consolidated Statement of Income.

Accounting for Derivative Instruments and Hedging Activities

. On October 1, 2000, the company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133). SFAS 133 established accounting and reporting standards regarding derivative instruments and requires that all derivative instruments be recorded on the balance sheet at their fair value as either an asset or liability, and that changes in their fair value be recognized currently in earnings unless certain criteria are met.

The company accounts for its energy trading business in accordance with the provisions of the Emerging Issues Task Force (EITF) 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" (EITF 98-10). EITF 98-10 requires that energy trading contracts be marked-to-market with gains and losses included in current earnings. The majority of the company's contracts have terms of less than two years. The company marks-to-market its trading positions using readily obtainable New York Mercantile Exchange Settlement prices and those from several other well established, third-party organizations. See Capital Expenditures and Commitments- Market Risk Exposure for a more detailed discussion of types of contracts and values at risk.

Goodwill

. As described in Note 6 of the Notes to the Consolidated Financial Statements, on October 1, 2001, the company adopted Statement of Financial Accounting Standards No. 142. "Goodwill and Intangible Assets" (SFAS 142). Implementation of the accounting pronouncement required the company to perform a fair value assessment of its subsidiaries that had recorded goodwill. As discussed in Note 6, the company recognized a transitional impairment loss of approximately $32.9 million. The company must assess the impairment of goodwill on an annual basis or whenever events or changes in circumstances indicate that this asset may not be recoverable. Management's judgment regarding an impairment is based on indicative factors including significant decreases relative to historical or projected future operating results; significant changes in the use of the acquired assets or business strategy; and significant negative economic trends. In the event that an impairment would exist, the company would be required to write-down the carrying value of goodwill to its new fair value.

Allowance for Doubtful Accounts

. The company must make estimates as to the collectibility of its recorded customer accounts receivable in evaluating the adequacy of its allowance for doubtful accounts. As part of this evaluation, the company reviews customer creditworthiness, changes in the payment history of customers, and current economic trends to determine the amount of estimated uncollectible customer accounts

receivable.

Unbilled Revenue

. Customers of the company's utility operations are billed through monthly cycle billings on the basis of actual or estimated usage. The revenues of the company's utility operations include an estimate of natural gas usage from the most recent meter reading date to the end of each accounting period.

The revenues of the company's NUI Telecom subsidiary also include unbilled amounts to customers for usage in the current period that will be invoiced in the following period. The amount of unbilled revenue is estimated based on the previous month's actual usage.

Forward–Looking Statements

This document contains forward–looking statements. These statements are based on management's current expectations and information currently available, are believed to be reasonable and are made in good faith. However, the forward–looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected in the statements. Factors that may make the actual results differ from anticipated results include, but are not limited to, economic conditions; the volatility of natural gas prices; the outcome of the company's current utility rate filing in New Jersey; weather fluctuations; regulatory changes; competition from other providers of similar products; interest rate changes; and other uncertainties, all of which are difficult to predict and many of which are beyond our control. For these reasons, you should not rely on these forward–looking statements when making investment decisions. The words "expect," "believe," "project," "anticipate," "intend," "should," "could," "will," and variations of such words and similar expressions, are intended to identify forward–looking statements. We do not undertake any obligation to update publicly any forward–looking statement, either as a result of new information, future events or otherwise.

PART II – OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8–K

(a) Exhibits.

99.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002

99.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002

b. Reports on Form 8–K

(1) On May 10, 2002, the company filed a current report on Form 8–K, Item 4, Changes in Registrant's Certifying Accountants, which discloses the company terminated its relationship with its independent public accountants, Arthur Andersen LLP. No reportable events described under Item 3(a) (1) (v) of Regulation S–K occurred during the company's two most recent fiscal years, or during any subsequent interim period through May 10, 2002. A copy of a letter from Arthur Andersen LLP confirming its agreement with these disclosures was attached as an exhibit with the report.

(2) On June 10, 2002, the company filed a current report Form 8–K, Item 4, Changes in Registrant's Certifying Accountants, which discloses that the company has engaged Pricewaterhouse Coopers LLP (PwC) as the company's independent public accountants to audit NUI's financial statements. During NUI's two most recent fiscal years, and through the date of PwC's engagement, NUI has not consulted PwC regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on NUI financial statements, or any other matters or reportable items listed in Item 304 (a) (2) (i) and (ii) of Regulation S–K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NUI CORPORATION
JOHN KEAN, JR.
President and Chief Executive Officer

August 14, 2002

A. MARK ABRAMOVIC
Sr. Vice President, Chief Operating Officer & Chief Financial Officer

August 14, 2002

Exhibit 99.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002

In connection with the quarterly report on Form 10–Q of NUI Corporation (the "company") for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, John Kean, Jr., President and Chief Executive Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002, that to the best of my knowledge and belief:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the company.

/S/ John Kean, Jr.

John Kean, Jr.

President and Chief Executive Officer

August 14, 2002

Exhibit 99.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES–OXLEY ACT OF 2002

In connection with the quarterly report on Form 10–Q of NUI Corporation (the "company") for the period ended June 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "report"), I, A. Mark Abramovic., Senior Vice President, Chief Operating Officer and Chief Financial Officer of the company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes–Oxley Act of 2002, that to the best of my knowledge and belief:

1. the report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the company.

/S/ A. Mark Abramovic

A. Mark Abramovic

Senior Vice President, Chief Operating Officer and Chief Financial Officer

August 14, 2002

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EXHIBIT G

Capital Expenditures Budget

Applicant intends to purchase unbundled network elements from incumbent local exchange carriers and to collocate its state of the art telecommunications equipment within the existing facilities of other carriers, central offices of local exchange carriers, or other structures. Applicant will also use the existing conduits, ducts, rights-of way and facilities of other telecommunications carriers, utilities and municipalities. Thus, the estimated cost of construction is expected to be negligible. Applicant's annual fixed and operating costs will be fully within the financial resources available to the Applicant, through existing financing, procurement of additional financing, and anticipated revenues. The financing will be secured through initial investments in the company and by future revenues through provision of services.

EXHIBIT H

Corporate Surety Bond

TENNESSEE REGULATORY AUTHORITY

TENNESSEE TELECOMMUNICATIONS SERVICE PROVIDER'S SURETY BOND

Bond #: 929241990

WHEREAS, NUI Telecom, Inc. (the "Principal"), has applied to the Tennessee Regulatory Authority for authority to provide telecommunications services in the State of Tennessee; and

WHEREAS, under the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated, as amended, the Principal is required to file this bond in order to obtain such authority and to secure the payment of any monetary sanction imposed in any enforcement proceeding brought under Title 65 of the Tennessee Code Annotated or the Consumer Telemarketing Act of 1990 by or on behalf of the Tennessee Regulatory Authority (the "TRA"); and

WHEREAS, Continental Casualty Company (the "Surety"), a corporation licensed to do business in the State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, has agreed to issue this bond in order to permit the Principal to comply with the provisions of Title 65, Chapter 4, Section 125(j) of the Tennessee Code Annotated;

NOW THEREFORE, BE IT KNOWN, that we the Principal and the Surety are held and firmly bound to the STATE OF TENNESSEE, in accordance with the provisions of Tennessee Code Annotated, Title 65, Chapter 4, Section 125(j), in the full amount of twenty thousand dollars ($20,000.00) lawful money of the United States of America to be used for the full and prompt payment of any monetary sanction imposed against the Principal, its representatives, successors or assigns, in any enforcement proceeding brought under Title 65 of Tennessee Code Annotated or the Consumer Telemarketing Act of 1990, by or on behalf of the TRA, for which obligation we bind ourselves, our representatives, successors and assigns, each jointly and severally, firmly and unequivocally by these presents.

This bond shall become effective on the 16th day of May, 2002 and shall be continuous; provided, however, that each annual renewal period or portion thereof shall constitute a new bond term. Regardless of the number of years this bond may remain in force, the liability of the Surety shall not be cumulative, and the aggregate liability of the Surety for any and all claims, suits or actions under this bond shall not exceed Twenty Thousand Dollars ($20,000.00). The Surety may cancel this bond by giving thirty (30) days written notice of such cancellation to the TRA and Principal by certified mail, it being understood that the Surety shall not be relieved of liability that may have accrued under this bond prior to the date of cancellation.

PRINCIPAL

NUI Telecom, Inc.
Name of Company authorized by the TRA

Company ID # as assigned by TRA

SIGNATURE OF PRINCIPAL

Richard M. Boudria

Name: RICHARD M. BOUDRIA
Title: President & CEO

SURETY

Continental Casualty Company
Name of Surety

1101 Market Street, 25th Floor
Philadelphia, PA 19107
Address of Surety

SIGNATURE OF SURETY AGENT

Marisol Plaza

Name: Marisol Plaza
Title: Attorney-in-Fact

Address of Surety Agent:
Marsh USA Inc.
44 Whippany Road
Morristown, NJ 07962

THIS BOND IS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF SECTION 125, CHAPTER 4, TITLE 65 OF THE TENNESSEE CODE ANNOTATED AS AMENDED BY CHAPTER NO. 586, 2000 PUBLIC ACTS. SHOULD THERE BE ANY CONFLICT WITH THE TERMS HEREOF AND THE STATUTE OR REGULATIONS PROMULGATED THEREUNDER, THE STATUTE OR REGULATIONS SHALL PREVAIL. (POWER OF ATTORNEY FROM AN APPROVED INSURANCE COMPANY MUST BE ATTACHED.)

ACKNOWLEDGMENT OF PRINCIPAL

STATE OF New Jersey
COUNTY OF Somerset

Before me, a Notary Public of the State and County aforesaid, personally appeared Richard M. Boudria with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing bond on behalf of NUI Telecom, Inc., and he acknowledged to me that he executed the same.

WITNESS my hand and seal this 31st day of May, 2002

My Commission Expires:

Janis Anthony, 20___
A Notary Public of New Jersey
My Commission Expires August 23, 2003

Janis Anthony
Notary Public

ACKNOWLEDGMENT OF SURETY

STATE OF NEW JERSEY
COUNTY OF MORRIS

Before me, a Notary Public of the State and County aforesaid, personally appeared Marisol Plaza Attorney-in-Fact with whom I am personally acquainted and who, upon oath, acknowledged himself to be the individual who executed the foregoing bond on behalf of Continental Casualty Company, the within named Surety, a corporation licensed to do business in the State of Tennessee and duly authorized by the Tennessee Commissioner of Insurance to engage in the surety business in this state pursuant to Title 56, Chapter 2 of the Tennessee Code Annotated, and that he as such an individual being authorized to do so, executed the foregoing bond, by signing the name of the corporation by himself and as such individual.

WITNESS my hand and seal this 16th day of May, 2002.

My Commission Expires:

March 26, 2007

Melissa Marinaccio
Notary Public

MELISSA MARINACCIO
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires March 26, 2007

APPROVAL AND INDORSEMENT

This is to certify that I have examined the foregoing bond and found the same to be sufficient and in conformity to law, that the sureties on the same are good and worth the penalty thereof, and that the same has been filed with the Tennessee Regulatory Authority, State of Tennessee, this _____ day of _____, 20___.

_____
Name:
Title:

POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That CONTINENTAL CASUALTY COMPANY, an Illinois corporation, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, a Connecticut corporation, AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA, a Pennsylvania corporation (herein collectively called "the CCC Surety Companies"), are duly organized and existing corporations having their principal offices in the City of Chicago, and State of Illinois, and that they do by virtue of the signature and seals herein affixed hereby make, constitute and appoint

William C. Zia, Harry A. Dinger, Marisol Plaza, Betsy Van Alstyne, Mary L. Lawrence, Individually

of Morristown, New Jersey

their true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on their behalf bonds, undertakings and other obligatory instruments of similar nature

- In Unlimited Amounts -

and to bind them thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of their corporations and all the acts of said Attorney, pursuant to the authority hereby given are hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Laws and Resolutions, printed on the reverse hereof, duly adopted, as indicated, by the Boards of Directors of the corporations.

In Witness Whereof, the CCC Surety Companies have caused these presents to be signed by their Group Vice President and their corporate seals to be hereto affixed on this 8th day of June, 2000.

CONTINENTAL CASUALTY COMPANY
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

Marvin J. Cashion — Group Vice President

State of Illinois, County of Cook, ss:

On this 8th day of June, 2000, before me personally came Marvin J. Cashion, to me known, who, being by me duly sworn, did depose and say: that he resides in the City of Chicago, State of Illinois; that he is a Group Vice President of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA described in and which executed the above instrument; that he knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed pursuant to authority given by the Boards of Directors of said corporations and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporations.

"OFFICIAL SEAL"
DIANE FAULKNER
Notary Public, State of Illinois
My Commission Expires 9/17/01

My Commission Expires September 17, 2001

Diane Faulkner — Notary Public

CERTIFICATE

I, Mary A. Ribikawskis, Assistant Secretary of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA do hereby certify that the Power of Attorney herein above set forth is still in force, and further certify that the By-Law and Resolution of the Board of Directors of each corporation printed on the reverse hereof are still in force. In testimony whereof I have hereunto subscribed my name and affixed the seals of the said corporations this 16th day of May, 2002.

CONTINENTAL CASUALTY COMPANY
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

Mary A. Ribikawskis — Assistant Secretary

(Rev.10/1/97)

CNA INSURANCE COMPANIES

CONTINENTAL CASUALTY COMPANY
STATEMENT OF ASSETS AND LIABILITIES
December 31, 2000

ASSETS:

Cash	$ 45,681,630
Short-term investments (principally U.S. Government Obligations)	2,363,163,712
United States Government obligations	3,062,750,079
Other public bonds	3,833,057,724
Industrial and miscellaneous bonds	3,239,798,392
Preferred stocks	182,578,773
Common stocks of affiliated companies	3,814,166,844
Other common stocks	1,353,836,144
Real Estate	11,921,738
Premiums and agents' balances in course of collection	1,120,622,864
Premiums, agents balances and installments booked but deferred and not yet due	480,284,280
Accrued retrospective premiums	441,814,731
Accrued interest dividends and rents	156,904,215
Other Assets	2,867,128,194
Admitted Assets	$ 22,973,709,320

LIABILITIES:

Unearned premium reserve	$ 2,693,952,468
Reserve for loss and loss adjustment expense	11,321,368,456
Reserve for taxes, licenses and fees (including federal income taxes)	64,489,814
Other Liabilities	2,551,578,541
Total Liabilities	$ 16,631,389,279

SURPLUS:

Capital paid up ($5.00 par value) Shares authorized: 8,425,000 issued: 7,856,558	$ 1,855,501,759
Surplus	4,486,818,281
Surplus as Regards Policyholders	6,342,320,040
Total	$ 22,973,709,320

Failure of items to add to totals shown is due to rounding.

State of Illinois)
) ss
County of Cook)

On this 16th day of April, 2001, before me came Lawrence J. Boysen and Jerry F. Sliwa, known to me personally to be the Group Vice President and the Assistant Vice President, respectively, of the Continental Casualty Company being fully sworn, certify and attest that the foregoing statement is a true and correct statement of the assets and liabilities of the said company as of the date shown in the statement.

Jerry F. Sliwa
Jerry F. Sliwa, Assistant Vice President

Lawrence J. Boysen
Lawrence J. Boysen, Group Vice President

Lesley Natividad
Notary Public

OFFICIAL SEAL
LESLEY NATIVIDAD
NOTARY PUBLIC, STATE OF ILLINOIS
MY COMMISSION EXPIRES: 12/26/04

EXHIBIT I

Small and Minority-Owned

Telecommunications Business

Participation Plan

NUI TELECOM, INC.

SMALL AND MINORITY-OWNED TELECOMMUNICATIONS BUSINESS PARTICIPATION PLAN

Pursuant to T.C.A. §65-5-212, as amended, NUI Telecom, Inc. ("NUI) submits this small and minority-owned Telecommunications business participation plan (the "Plan") along with its Application for a Certificate of Public Convenience and Necessity to provide competing intrastate and local exchange services in Tennessee.

I. PURPOSE

The purpose of §65-5-212 is to provide opportunities for small and minority-owned businesses to provide goods and services to Telecommunications service providers. NUI is committed to the goals of §65-5-212 and to taking steps to support the participation of small and minority-owned Telecommunications businesses in the Telecommunications industry. NUI will endeavor to provide opportunities for small and minority-owned Telecommunications businesses to compete for contracts and subcontracts for goods and services. As part of its procurement process, NUI will make efforts to identify and inform minority-owned and small businesses that are qualified and capable of providing goods and services to NUI of such opportunities. NUI's representatives will contact the Department of Economic and Community Development, the administrator of the small and minority-owned Telecommunications assistance program, to obtain a list of qualified vendors. Moreover, NUI will seek to increase awareness of such opportunities so that companies not otherwise identified will have sufficient information to participate in the procurement process.

II. DEFINITIONS

As defined in §65-5-212.

*Minority-Owned Business*s. Minority-owned business shall mean a business which is solely owned, or at lease fifty-one percent (51%) of the assets or outstanding stock of which is owned, by an individual who personally manages and controls daily operations of such business, and who is impeded from normal entry into the economic mainstream because of race, religion, sex or national origin and such business has annual gross receipts of less than four million dollars ($4,000,000).

Small Business. Small Business shall mean a business with annual gross receipts of less than four million dollars ($4,000,000).

III. ADMINISTRATION

NUI's Plan will be overseen and administered by the individual named below, hereinafter referred to as the Administrator, who will be responsible for carrying out and promoting NUI's full efforts to provide equal opportunities for small and minority-owned businesses. The Administrator of the Plan will be:

Richard M. Boudria, President
NUI Telecom, Inc.
550 Route 202-206, 2nd Floor
Bedminster, NJ 07921
Telephone: (908) 470-4700
Facsimile: (908) 470-4707

The Administrator's responsibilities will include:

(1) Maintaining an updated Plan in full compliance with §65-5-212 and the rules and orders of the Tennessee Regulatory Authority.

(2) Establishing and developing policies and procedures necessary for the successful implementation of the Plan.

(3) Preparing and submitting such forms as may be required by the Tennessee Regulatory Authority, including the filing of required annual updates.

(4) Serving as the primary liaison to and cooperate with the Tennessee Regulatory Authority, other agencies of the State of Tennessee, and small and minority-owned businesses to locate and use qualified small and minority-owned businesses as defined in §65-5-212.

(5) Searching for and developing opportunities to use small and minority-owned businesses and encouraging such businesses to participate in and bid on contracts and subcontracts.

(6) Providing records and reports and cooperate in any authorized surveys as required by the Tennessee Regulatory Authority.

(7) Establishing a record-keeping system to track qualified small and minority-owned businesses and efforts to use such businesses.

(8) Providing information and educational activities to persons within NUI and training such persons to seek out, encourage, and promote the use of small and minority-owned businesses.

In performance of these duties, the Administrator will utilize a number of resources, including:

Chambers of Commerce
The Tennessee Department of Economic and Community Development
The United States Department of Commerce
Small Business Administration
Office of Minority Business
The National Minority Supplier Development Counsel
The National Association of Women Business Owners
The National Association of Minority Contractors
Historically Black Colleges, Universities, and Minority Institutions

The efforts to promote and ensure equal opportunities for small and minority- owned businesses are primarily spelled out in the Administrator's duties above. Additional efforts to provide opportunities to small and minority-owned businesses will include offering, where appropriate and feasible, small and minority-owned businesses assistance with technical, insurance, bonding, licensing, production, and deadline requirements.

IV. RECORDS AND COMPLIANCE REPORTS

NUI will maintain records of qualified small and minority-owned business and efforts to use the goods and services of such businesses. In addition, NUI will maintain records of educational and training activities conducted or attended and of the internal procurement procedures adopted to support this plan.

NUI will submit records and reports required by the Tennessee Regulatory Authority concerning the Plan. Moreover, NUI will cooperate fully with any surveys and studies required by the Tennessee Regulatory Authority.

NUI Telecom, Inc.

By: Richard M. Boudria
Richard M. Boudria
President

Dated: Nov 6, 2001.

EXHIBIT J

Toll Dialing Parity Plan

NUI TELECOM, INC.

PROPOSED PLAN FOR PROVIDING TOLL DIALING PARITY

Introduction

Section 251(b)(3) of the Telecommunications Act of 1996 (the "Act"), 47 USC §251(b)(3), requires each local exchange carrier ("LEC") to provide dialing parity to competing providers of telephone exchange service and telephone toll services. In order to ensure that each LEC is providing toll dialing parity, the Federal Communications Commission's ("FCC") regulations implementing the ACT, 48 CFR §52.213, require each LEC to file a plan for providing toll dialing parity with the state commission or the FCC. NUI Telecom, Inc. ("NUI") hereby files, for review by the Tennessee Regulatory Authority ("TRA"), its Proposed Plan for Providing Toll Dialing Parity.

TOLL DIALING PARITY PLAN

Technical Implementation

NUI will be offering dialing parity for all toll calls. Each customer requesting NUI local exchange service will be given the opportunity to affirmatively select a presubscribed carrier for intraLATA toll and interexchange toll calls. NUI intends to utilize the underlying carrier's 2-PIC capabilities. This allows a customer to presubscribe to a preferred carrier for intraLATA toll calls and the same or different carrier for interLATA toll calls. NUI will be implementing this plan upon receiving authority from the TRA to provide service. NUI will provide toll dialing parity in all the Tennessee LATA's served, including 468, 470, 472, and 474.

Business Office Practices

NUI will ensure that all customers are aware they have a choice of intraLATA, as well as interLATA toll carriers. In response to each request for NUI service, a NUI sales representative will inform the customer that NUI will presubscribe the customer's toll service to both the intraLATA and the interLATA toll carrier(s) of the customer's choice. In this way, the customer knows that a choice can be made among intraLATA and interLATA toll carriers. A representative will inform the customer that NUI will presubscribe the customer's toll service to both the intraLATA and interLATA toll carrier(s) of the

customer's choice. In this way, the customer knows that a choice can be made among intraLATA and interLATA toll carriers. All carriers will be treated on a non-discriminatory basis and each customer will be give the opportunity to affirmatively select an intraLATA and interLATA toll carrier. NUI will maintain a list of available toll carriers and keep it updated. NUI will process a customer's PIC charge to a toll carrier other than NUI in the same fashion and in the same time frames as a request to presubscribe to itself. Once a NUI customer has chosen an intraLATA and interLATA toll carrier, the customer will be able to verify that selection at any time by dialing a toll free number. If a new customer does not select a service package that includes Sprint's long distance service, the customer's long distance service will not default to Sprint. Customers will have access on a nondiscriminatory basis to telephone numbers, operator services, directory assistance, and directory listings. NUI does not have a PIC change charge waiver period at this time.

In responding to a communication from another intraLATA and interLATA telecommunications carrier, NUI's customer care representative will use an industry-standard Customer Account Record ("CARE") format to accept the required change. Such changes will be implemented only through a CARE request to ensure that changes are not made without appropriate authorization. Other carriers may submit a CARE request of NUI either manually or electronically.

Anti-Slamming

NUI will comply with the FCC's anti-slamming provisions, 47 CFR § 64-110-150. NUI will make available a PIC-freeze option to requesting customers to protect the customer from unauthorized changes to its selected intraLATA and interLATA toll carrier.

Dialing Plan

The following matric outlines the proposed routing of calls by Sprint.

0	NUI local Operator Service
00	Dial to presubscribed Toll Provider Operator Service
1+10 digits	Dial to presubscribed intraLATA Toll Provider or interLATA Toll Provider Operator Service (depending on 10 digit number dialed).
10xxx or 101xxx+0	Dial around presubscribed intraLATA or interLATA Toll Provider to alternate Toll Provider Operator Service identified by code used by xxx or xxix portion of dialing request).
10xxx or 101xxxx+0+10 digits	Dial around presubscribed intraLATA or interLATA Toll Provider to alternate Toll Provider Operator Service (identified by code used in xxx or xxix portion of dialing request).
10xxx or 101xxxx+1+10 digits	Dial around presubscribed intraLATA or interLATA Toll Provider to direct dial through alternate Toll Provider (identified by code used in xxx or xxix portion of dialing request).

Applicability

This plan for providing dialing parity is intended to apply to all dial-tone lines provisioned by NUI. NUI will comply with all rules of the FCC and the TRA.

Conclusion

NUI respectfully request that the TRA approve its proposed plan for providing toll dialing parity.

EXHIBIT K

Notice of Application

BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN THE MATTER OF THE APPLICATION OF	)
NUI TELECOM, INC.	)
FOR A CERTIFICATE	)
TO PROVIDE COMPETING LOCAL	)
TELECOMMUNICATIONS SERVICES	)

NOTICE OF FILING

TO: ALL INTERESTED PARTIES SET FORTH IN EXHIBIT K OF THIS APPLICATION.

PLEASE TAKE NOTICE, that in accordance with the Tennessee Regulatory Authority Rules for the Provision of Competitive Intrastate Telecommunications Services, you are hereby given notice that on January 24, 2003, NUI TELECOM, INC. filed an Application for a Certificate of Public Convenience and Necessity to Provide Facilities-based Local Exchange Telecommunications Services.

This 23nd day of January, 2003.

NUI TELECOM, INC.

BY: _____
Patrick D. Crocker
Its Attorney

CERTIFICATE OF SERVICE

STATE OF MICHIGAN)
) ss.
COUNTY OF KALAMAZOO)

Paula A. Schneider, being duly sworn, deposes and states that on the 23nd day of January 2003, she served a copy of the NOTICE OF FILING of the APPLICATION OF NUI TELECOM, INC. FOR A CERTIFICATE TO PROVIDE COMPETING LOCAL TELECOMMUNICATIONS SERVICES via U.S. Mail on the parties on the attached service list.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 23rd day of January 2003, at Kalamazoo, Michigan.

Paula A Schneider

Paula A. Schneider

Incumbent Local Exchange Service Providers Certificated In Tennessee
(Facilities-based)

Ardmore Telephone Company, Inc. P.O. Box 549 517 Ardmore Avenue Ardmore, TN 38449 (205) 423-2131 (205) 423-2208 (Fax)	**BellSouth** 333 Commerce Street Nashville, TN 37201-3300 (615) 214-3800 (615) 214-8820 (Fax)	**Century Telephone of Adamsville** P.O. Box 405 116 N. Oak Street Adamsville, TN 38310 (901) 632-3311 (901) 632-0232 (Fax)
Century Telephone of Claiborne P.O. Box 100 507 Main Street New Tazewell, TN 37825 (423) 626-4242 (423) 626-5224 (Fax)	**Century Telephone of Ooltewah-Collegedale, Inc.** P.O. Box 782 5616 Main Street Ooltewah, TN 37363 (423) 238-4102 (423) 238-5699 (Fax)	**Citizens Communications Company of Tennessee** P.O. Box 770 300 Bland Street Bluefield, WV 24701
Citizens Communications Company Of The Volunteer State P.O. Box 770 300 Bland Street Bluefield, WV 24701	**Loretto Telephone Company, Inc.** P.O. Box 130 Loretto, TN 38469 (931) 853-4351 (931) 853-4329 (Fax)	**Millington Telephone Company, Inc.** 4880 Navy Road Millington, TN 38053 (901) 872-3311 (901) 873-0022 (Fax)
Sprint-United 112 Sixth Street Bristol, TN 37620 (423) 968-8161 (423) 968-3148 (Fax)	**TDS Telecom-Concord Telephone Exchange, Inc.** P.O. Box 22610 701 Concord Road Knoxville, TN 37933-0610 (423) 966-5828 (423) 966-9000 (Fax)	**TDS Telecom-Humphreys County Telephone Company** P.O. Box 552 203 Long Street New Johnsonville, TN 37134-0552 (931) 535-2200 (931) 535-3309 (Fax)

TDS Telecom-Tellico Telephone Company, Inc. P.O. Box 9 102 Spence Street Tellico Plains, TN 37385-0009 (423) 671-4600 (423) 253-7080 (Fax	**TDS Telecom-Tennessee Telephone Company** P.O. Box 18139 Knoxville, TN 37928-2139 (423) 922-3535 (423) 922-9515 (Fax)	**TEC-Crockett Telephone Company, Inc.** P.O. Box 7 Friendship, TN 38034 (901) 677-8181
TEC-People's Telephone Company, Inc. P.O. Box 310 Erin, TN 37061 (931) 289-4221 (931) 289-4220 (Fax)	**TEC-West Tennessee Telephone Company, Inc.** P.O. Box 10 244 E. Main Street Bradford, TN 38316 (901) 742-2211 (901) 742-2212 (Fax)	**United Telephone Company** P.O. Box 38 120 Taylor Street Chapel Hill, TN 37034 (931) 364-2289 (931) 364-7202 (Fax)

EXHIBIT L

Numbering Issues

NUMBERING ISSUES

Please provide answers to the following questions concerning numbering within your proposed service area.

1. What is your company's expected demand for NXXs per NPA within a year of approval of your application?

   1

2. How many NXXs do you estimate that you will request from NANPA when you establish your service footprint?

   1

3. When and in what NPA do you expect to establish your service footprint?

   615

4. Will the company sequentially assign telephone numbers within NXXs?

   Yes

5. What measures does the company intend to take to conserve Tennessee numbering resources?

   The Company will assign numbers consistent with demand.

6. When ordering new NXXs for growth, what percentage fill of an existing NXX does the company use to determine when a request for a new NXX will be initiated?

   75 - 80%

EXHIBIT M

Tennessee Specific Operational Issues

Please provide answers to the following questions concerning Tennessee Specific Operational Issues.

1. How does the company intend to comply with TCA §65-21-114? In its description, please explain technically how the company will not bill for countywide calls within Tennessee.

   The company will use Claremont Billing for billing. Billing features will prevent the billing of countywide calls. The Company will make use of the County Wide database provided by Bell South.

2. Is the company aware of the Tennessee County Wide Calling database maintained by BellSouth and the procedures to enter your telephone numbers on the database?

   Yes.

3. Is your company aware of the local calling areas provided by the Incumbent Local Exchange Carriers in your proposed services areas?

   Yes.

4. Explain the procedures that will be implemented to assure that your customers will not be billed long distance charges for calls within the metro calling areas.

   Billing features will preclude such billing.

5. Please provide the name and telephone number of an employee of your company that will be responsible to work with the TRA on resolving customer complaints.

   Bette Waida
   NUI Telecom, Inc.
   550 Route 202-206
   Bedminster, NJ 07921
   Telephone 908-470-4702
   Toll Free 800-768-2852
   e-mail bwaida@nuitele.com

6. Does the company intend to telemarket its services in Tennessee? If yes, is the company aware of the telemarketing stautes and regulations found in TCA §65-4-401 *et seq.* And Chapter 1220-4-11?

   No. The company does not intend to telemarket its services in Tennessee at this time.

   If the Company should decide to telemarket, the Company is aware of the telemarketing statutes and regulations.

EXHIBIT N

Pre-filed Testimony

BEFORE THE
TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

APPLICATION OF
NUI TELECOM, INC.
FOR A CERTIFICATE TO PROVIDE
COMPETING LOCAL TELEPHONE
SERVICES

PRE-FILED TESTIMONY OF RICHARD M. BOUDRIA

I, Richard M. Boudria, do hereby testify as follows in support of the application of NUI Telecom, Inc. (NUI) for a Certificate of convenience and necessity as a competing telecommunications services provider to provide telecommunication services throughout the State of Tennessee.

Q: Please state your full name, business address, and position.

A: My name is Richard M. Boudria. My business address is NUI Telecom, Inc., 550 Route 202-206, 2nd Floor, Bedminster, NJ 07921. My position is President of NUI.

Q: Please briefly describe your duties.

A: My principal duties with NUI include responsibility for the day to day operations of NUI. I am charged with all personnel decisions, buy versus build decisions, billing, operations, information technology, customer service, marketing and sales. I am also responsible for ensuring that NUI complies with all regulatory and legal requirements.

Q: Please describe your business experience and educational background.

A: Following my service as a Captain in the U.S. Marine Corps. I received my MBA from the University of Maryland in 1973. Since that time I have held corporate positions in finance, marketing and strategic planning with Merrill Lynch, Xerox and GTE respectively. I then went on to provide telecommunications consulting service to such companies as IBM, Morgan Stanley and Chase, prior to founding International Telephone Group (ITG) in 1994. Upon building ITG into a sizable and profitable telecom provider, I sold the company to NUI Corporation, five years later. I continue to oversee the company's operations and expansion as President & CEO, while also serving s an officer of the paren company, NUI.

Q: Are all statements in NUI Telecom, Inc.'s Application true and correct to the best of your knowledge, information and belief?

A: Yes, to the best of my knowledge, information and belief all statements in NUI Telecom, Inc.'s Application are true and correct.

Q: Please describe the current corporate structure of NUI Telecom, Inc.

A: NUI, formerly ITG is a corporation organized under the laws of the State of New Jersey on April 14, 1994.

Q: Does NUI Telecom, Inc. possess the requisite managerial, financial, and technical abilities to provide the services for which it has applied for authority?

A: Yes, NUI possesses the requisite managerial, financial, and technical abilities to provide the services for which it has applied for authority.

Q: Please describe NUI Telecom, Inc.'s financial qualifications.

A: As evidence of NUI's financial qualifications and resources to offer telecommunications services in Tennessee we submit financial information in Exhibit F.

Q: Please describe NUI Telecom, Inc.'s managerial and technical qualifications.

A: The senior management of NUI have great depth in the telecommunications industry and offer extensive technical and managerial expertise to NUI pertaining to the telecommunications business. In evidence of managerial and technical qualifications we submit Exhibit E which includes the biographies of NUI's key officers and personnel.

Q: What services will NUI Telecom, Inc. offer?

A: NUI's initial line of local services will be comparable to that currently offered by the incumbent LECs. Initially, NUI plans to offer basic access line service, Optional Calling Features, Directory Assistance, Directory Services, and Operator Services, as well as all services required under Chapter 1220-4-8-.04(3)(6) and (2).

Q: Will NUI Telecom, Inc. offer service to all consumers within its service area?

A: Yes, NUI will offer service to all consumers within its service area. NUI intends to market to primarily business customers.

Q: Will the granting of a certificate of convenience and necessity to NUI Telecom, Inc. serve the public interest?

A: Yes, the public will benefit both directly, through the use of the competitive services to be offered by NUI and indirectly, because NUI's presence in Tennessee will increase the incentive for other telecommunications providers to operate more efficiently , offer more innovative services, reduce their prices, and improve their quality of service. Granting of a certificate of convenience and necessity to NUI will further enhance the service options available to Tennessee citizens.

Q: Does NUI Telecom, Inc. intend to comply with all TRA rules, statutes, and orders pertaining to the provision of telecommunications services in Tennessee, including those for disconnection and reconnection of service?

A: Yes, NUI intends to comply with all TRA rules, statutes, and orders pertaining to the provision of telecommunications services in Tennessee, including those for disconnection and reconnection of service.

Q: Has any state ever denied NUI Telecom, Inc. or one of its affiliates authorization to provide intrastate service?

A: No, NUI has not ever been denied authority to provide intrastate service by any State or jurisdiction.

Q: Has any state ever revoked the certification of NUI Telecom, Inc. or one of its affiliates?

A: No, NUI's certification has not ever been revoked in any state or jurisdicition.

Q: Has NUI Telecom, Inc. or one of its affiliates ever been investigated or sanctioned by any regulatory authority for service or billing irregularities?

A: NUI has not ever been investigated or sanctioned by any regulatory authority for service or billing irregularities.

Q: Does this conclude your testimony?

A: Yes it does.

I swear that the foregoing testimony is true and correct to the best of my knowledge.

Richard M. Boudria

Richard M. Boudria
President
NUI Telecom, Inc.

Subscribed and sworn to me this 6 day of November, 2001.

Joyce M Fajnor

Notary Public
State of New Jersey
County of Somerset
My commission expires

Joyce M. Fajnor
Notary Public of NJ
My Commission Expires
August 20, 2005