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NATIONAL FUEL GAS CO
Form 424B5
September 10, 2002

Filed pursuant to Rule 424(b)(5)
Registration Statement No. 333-83497

SUBJECT TO COMPLETION. DATED SEPTEMBER 10, 2002.

Prospectus Supplement to Prospectus dated August 20, 1999.

\$97,700,000

NATIONAL FUEL GAS COMPANY

% Notes due 2022

National Fuel Gas Company will pay interest on the notes on March 15, June 15, September 15 and December 15 of each year, beginning on December 15, 2002. The notes will be issued in denominations of \$1,000 and integral multiples of \$1,000. The notes will mature on September 15, 2022. National may redeem the notes at its option in whole or in part at any time and from time to time on or after September 15, 2006, in each case at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to the redemption date. National will also redeem the notes of any deceased beneficial owner at the option of the owner's representative, subject to some limitations.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE ACCOMPANYING PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Note	Total
	-----	-----
Initial public offering price.....	%	\$
Underwriting discount	%	\$
Proceeds, before expenses, to National	%	\$

The initial public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from September , 2002 and must be paid by the purchaser if the notes are delivered after September , 2002.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company against payment on or about September , 2002.

GOLDMAN, SACHS & CO.

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

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Prospectus Supplement dated September , 2002.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS SUPPLEMENT IS NOT COMPLETE AND MAY BE CHANGED. NEITHER THIS PRELIMINARY PROSPECTUS SUPPLEMENT NOR THE ACCOMPANYING PROSPECTUS IS AN OFFER TO SELL THESE SECURITIES AND NEITHER IS SOLICITING ANY OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

THE OFFERING

TITLE OF THE NOTES.....	% Notes due 2022
ISSUER OF THE NOTES.....	National Fuel Gas Company
TOTAL PRINCIPAL AMOUNT BEING ISSUED..	\$97,700,000
MATURITY DATE FOR PRINCIPAL.....	September 15, 2022
INTEREST RATE.....	% annually
DATE INTEREST STARTS ACCRUING.....	September , 2002
DUE DATES FOR INTEREST.....	Every March 15, June 15, September 15 and December 15
FIRST DUE DATE FOR INTEREST.....	December 15, 2002
REGULAR RECORD DATES FOR INTEREST....	Every March 1, June 1, September 1 and December 1
REDEMPTION.....	National may redeem the notes at its option in whole or in part at any time and from time to time on or after September 15, 2006, in each case at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to the redemption date. National also will redeem the notes, subject to some limitations as described below under "Description of Notes--Redemption Upon Death of a Beneficial Owner," at the option of the representative of any deceased beneficial owner of the notes at a redemption price equal to 100% of the principal amount of the notes being redeemed plus accrued and unpaid interest to the redemption date.
RANKING.....	The notes will constitute National's direct unsecured general obligations and will rank equally with all of National's

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other senior, unsecured and
unsubordinated debt.

USE OF PROCEEDS

National will use the net proceeds from the issuance and sale of the notes to repay commercial paper issued to temporarily refund \$97.7 million of National's 6.214% medium-term notes due August 12, 2027 which medium-term notes were repaid by National at the option of the holders thereof on August 12, 2002. As of September 6, 2002, the commercial paper to be repaid had maturities of up to 12 days and had annual interest rates ranging from 2.0% to 2.11%. National may temporarily invest in short-term instruments any net proceeds pending their application to repay the specified commercial paper.

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NATIONAL FUEL GAS COMPANY

National Fuel Gas Company, a holding company registered under the Public Utility Holding Company Act of 1935, was organized under the laws of the State of New Jersey in 1902. National is engaged in the business of owning and holding securities issued by its ten directly owned active subsidiary companies. Except as otherwise indicated below, National owns all of the outstanding securities of its subsidiaries.

National is a diversified energy company consisting of six reportable business segments.

- o The Utility segment operations are carried out by National Fuel Gas Distribution Corporation, a New York corporation. Distribution Corporation sells natural gas or provides natural gas transportation services to approximately 732,000 customers through a local distribution system located in western New York and northwestern Pennsylvania. The principal metropolitan areas served by Distribution Corporation include Buffalo, Niagara Falls and Jamestown, New York and Erie and Sharon, Pennsylvania.
- o The Pipeline and Storage segment operations are carried out by National Fuel Gas Supply Corporation, a Pennsylvania corporation. Supply Corporation provides interstate natural gas transportation and storage services for affiliated and nonaffiliated companies through (a) an integrated gas pipeline system extending from southwestern Pennsylvania to the New York-Canadian border at the Niagara River and (b) 27 underground natural gas storage fields owned and operated by Supply Corporation as well as four other underground natural gas storage fields operated jointly with various other interstate gas pipeline companies.
- o The Exploration and Production segment operations are carried out by Seneca Resources Corporation, a Pennsylvania corporation. Seneca is engaged in the exploration for, and the development and purchase of, natural gas and oil reserves in the Gulf Coast region of Texas and Louisiana, in California, in Wyoming and in the Appalachian region of the United States. Exploration and production operations are also conducted in the provinces of Manitoba, Alberta and Saskatchewan in Canada by Seneca's wholly-owned subsidiary, National Fuel Exploration Corp., an Alberta, Canada corporation.

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- o The International segment operations are carried out by Horizon Energy Development, Inc., a New York corporation. Horizon engages in foreign and domestic energy projects through investments as a sole or substantial owner in various business entities. These entities include Horizon Energy Holdings, Inc., a New York corporation, which owns 100% of Horizon Energy Development B.V. Horizon B.V. is a Dutch company whose principal asset is majority ownership of United Energy, a.s., a wholesale power and district heating company located in the northern part of the Czech Republic.
- o The Energy Marketing segment operations are carried out by National Fuel Resources, Inc., a New York corporation engaged in the marketing and brokerage of natural gas and the performance of energy management services for industrial, commercial, public authority and residential end-users in the northeastern United States.
- o The Timber segment operations are carried out by Highland Forest Resources, Inc., a Pennsylvania corporation, and by a division of Seneca known as its Northeast Division. This segment markets timber from its New York and Pennsylvania land holdings, owns four sawmill

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operations in northwestern Pennsylvania and processes timber consisting primarily of high quality hardwoods.

National's other wholly-owned subsidiaries are not included in any of the six reportable business segments and consist of the following:

- o Upstate Energy Inc., a New York corporation engaged in wholesale natural gas marketing and other energy-related activities. (National anticipates that it will merge Upstate into National Fuel Resources, with National Fuel Resources being the surviving entity.)
- o Leidy Hub, Inc., a New York corporation formed to provide various natural gas hub services to customers in the eastern United States.
- o Data-Track Account Services, Inc., a New York corporation which provides collection services principally for National's subsidiaries.
- o Horizon Power, Inc., a New York corporation formerly known as NFR Power, Inc., which is designated as an "exempt wholesale generator" under the Public Utility Holding Company Act of 1935 and is developing or operating mid-range independent power production facilities.

SELECTED FINANCIAL DATA

The following material, which is presented in this prospectus supplement solely to furnish limited introductory information, is qualified in its entirety by, and should be considered in conjunction with, the more detailed information incorporated by reference or provided in this prospectus supplement or in the accompanying prospectus. In the opinion of National, all adjustments (constituting only normal recurring accruals) necessary for a fair statement of the results of operations for the nine months ended June 30, 2002 and 2001 have been made. The income statement data for the nine months ended June 30, 2002 and June 30, 2001, respectively, are not necessarily indicative of the results that may be expected for an entire year.

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(IN THOUSANDS)

	NINE MONTHS ENDED JUNE 30,		TWELVE MONTHS ENDED SEPTEMBER 30,		
	2002	2001	2001	2000	
SUMMARY OF OPERATIONS:					
Operating revenues.....	\$1,219,887	\$1,809,935	\$2,100,352	\$1,425,277	\$
Net income available for common stock.....	\$112,807	\$164,878	\$65,499	\$127,207	

The following table shows National's ratio of earnings to fixed charges for the periods indicated:

	FISCAL YEARS ENDED SEPTEMBER 30,				
TWELVE MONTHS ENDED JUNE 30, 2002	2001	2000	1999	1998	1997
1.10	1.94	2.98	3.02	1.66	4.01

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The following table shows National's consolidated capitalization and short-term debt at June 30, 2002 and as adjusted for this offering and the reclassification of certain medium-term notes.

(IN THOUSANDS)

	AT JUNE 30, 2002	ADJUSTED*	
		AMOUNT	PERCENT
Capitalization:			
Comprehensive shareholder's equity.....	\$1,078,380	\$1,078,380	48.42%
Long-term debt, net of current portion.....	1,048,842	1,148,842	51.58
Total capitalization.....	\$2,127,222	\$2,227,222	100.00%
	=====	=====	=====
Short-term debt, including current portion of long-term debt.....	\$ 494,010	\$ 394,010	

DESCRIPTION OF THE NOTES

The following description of the particular terms of the notes supplements

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and supersedes, to the extent inconsistent, the description of the general terms and provisions of the notes set forth under "Description of Debt Securities" in the accompanying prospectus, to which reference is hereby made. Certain capitalized terms used and not defined in this prospectus supplement are defined under "Description of Debt Securities" in the accompanying prospectus.

GENERAL

The notes will be issued as a series of debt securities under an Indenture, dated as of October 1, 1999, between National and The Bank of New York, as trustee. An Officer's Certificate will supplement the Indenture and establish the specific terms of the notes. The notes will be issued in book-entry only form, that is as one or more global certificates registered in the name of The Depository Trust Company or its nominee, and in denominations of \$1,000 and integral multiples of \$1,000.

INTEREST AND PAYMENT

Each note will bear interest at _____ % per year from the date of original issuance, payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year to the person in whose name the note is registered at the close of business on the first day of the month in which the applicable interest payment date falls. Interest accrued on the notes that is payable at maturity or earlier redemption will be payable to the persons entitled to payment of principal as a result of maturity or redemption, as the case may be. The initial interest payment date will be December 15, 2002, and the payment on that date will include all interest accrued from the date of issuance. The amount of interest payable will be computed on the basis of a 360-day year

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consisting of twelve 30-day months and for any period shorter than a full calendar month, on the basis of the actual number of days elapsed. In the event that any interest payment date is not a business day, then payment of the interest will be made on the next business day, without any interest or other payment in respect of the delay. In addition, if there has been a default in the payment of interest on any note, the defaulted interest may be payable to the holder of the note as of the close of business on a date selected by the trustee not more than 15 days and not less than 10 days prior to the date proposed by National for payment of this defaulted interest, and not less than 10 days after the receipt by the trustee of National's notice of the proposed payment, or in any other lawful manner as provided in the Indenture.

MATURITY

The entire principal amount of the notes, unless previously redeemed or otherwise repaid, will mature and become due and payable, together with any unpaid interest accrued to (but excluding) the maturity date, on September 15, 2022. In the event that the maturity date or any redemption date is not a business day, then payment of principal and any interest will be made on the next business day, without any interest or other payment in respect of the delay.

OPTIONAL REDEMPTION

National will be permitted to redeem the notes at its option before their stated maturity, as described below. The notes will not be entitled to the benefit of any sinking fund, which means that National will not deposit money on a regular basis into any separate custodial account to repay your note. In

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addition, you will not be entitled to require National to buy your note from you before its stated maturity except as described below under "--Redemption Upon Death of a Beneficial Owner."

National will have the right to redeem the notes, in whole or in part, at any time and from time to time on or after September 15, 2006, in each case at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest to the redemption date. National will provide written notice of its intent to redeem the notes not less than 30 nor more than 60 days prior to the redemption date. If the redemption notice is given and funds deposited as required by the Indenture, then interest will cease to accrue on and after the redemption date on the notes or portions of notes called for redemption. If any redemption date is not a business day, National will pay the redemption price on the next business day without any interest or other payment due to the delay. On and after the redemption date, the redeemed notes will cease to bear interest, unless National defaults in the payment of the redemption price. If such a default occurs, the principal amount of the notes called for redemption will continue to bear interest at the rate indicated on the cover of this prospectus supplement until paid.

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

REDEMPTION UPON DEATH OF A BENEFICIAL OWNER

Unless the notes have been declared due and payable before their stated maturity by reason of an event of default under the Indenture, as more fully described in the accompanying prospectus under "Description of Debt Securities--Remedies--Acceleration of Maturity," or have been previously redeemed or otherwise repaid, the personal representative or other person

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authorized to represent a deceased beneficial owner of notes (such as an executor or administrator of the estate of the deceased) has the right to request redemption before the stated maturity of all or part of the notes, and National will be obligated to redeem that portion of the notes. By "personal representative or other person authorized to represent a deceased beneficial owner of notes," National means the person who has the right to sell, transfer or otherwise dispose of the beneficial ownership of the notes and the right to receive the proceeds from the note, as well as the interest and principal payable to the holder of the notes. However, during the period from the date of original issuance of the notes through and including September 15, 2003, which is referred to as the "initial period," and during any twelve month period that ends on and includes each subsequent September 15, each of which is referred to as a "subsequent period," National will not be obligated to redeem:

- o during any such period, any notes that in the aggregate exceed \$25,000 in principal amount with respect to any one deceased beneficial owner, which is called the "\$25,000 limitation," or
- o during any such period, notes exceeding in aggregate principal amount two percent of the aggregate principal amount of the notes offered by this prospectus supplement with respect to all deceased beneficial owners as a group, which is called the "two percent aggregate limitation."

National may, at its option, redeem notes of any deceased beneficial owner

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during the initial period or any subsequent period in excess of the \$25,000 limitation. Any optional redemption by National of this kind, to the extent it exceeds the \$25,000 limitation for any deceased beneficial owner, will not be included in the computation of the two percent aggregate limitation for redemption of the notes for the initial period or any subsequent period. National may also, at its option, redeem interests of deceased beneficial owners in the notes in the initial period or any subsequent period in an aggregate principal amount exceeding the two percent aggregate limitation. Any optional redemption by National of this kind, to the extent it exceeds the two percent aggregate limitation, will not reduce the aggregate limitation for any subsequent period. Upon any determination by National to redeem notes in excess of the \$25,000 limitation or the two percent aggregate limitation, notes will be redeemed in the order of receipt of redemption requests by the trustee.

A personal representative of a deceased beneficial owner may initiate a request for redemption at any time and from time to time in any principal amount, as long as the principal amount is in integral multiples of \$1,000. The representative must deliver its request to the participant through which the deceased beneficial owner owned the notes. By "participant," National means an institution that has an account with the depository for the notes, which in this case initially will be The Depository Trust Company. The request for redemption must be in form satisfactory to the participant and must be accompanied by evidence of the death of the beneficial owner, evidence of the authority of the representative satisfactory to the participant, any documents, such as waivers, notices or certificates, that may be required under applicable state or federal law and any other evidence of the right to the redemption that the participant requires. The request must specify the principal amount of the notes to be redeemed, which amount must be in integral multiples of \$1,000. Subject to the rules and arrangements applicable to the depository, the participant will then need to deliver to the depository a request for redemption substantially in the form attached as Appendix A to this prospectus supplement. On receipt of a redemption request, the depository will need to forward the request to the trustee. The trustee is required to maintain records with respect to redemption requests received by it, including the date of receipt, the name of the participant filing the redemption request and the status of each redemption request with respect to the \$25,000 limitation and the two percent aggregate limitation. The trustee will promptly file with National each redemption request

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it receives, together with the information regarding the eligibility of the redemption request with respect to the \$25,000 limitation and the two percent aggregate limitation. National, the depository and the trustee:

- o may conclusively assume, without independent investigation, that the statements contained in each redemption request are true and correct; and
- o will have no responsibility:
 - o for reviewing any documents submitted to the participant by the representative or for determining whether the applicable decedent is in fact the beneficial owner of the interest in the notes to be redeemed or is in fact deceased; and
 - o for determining whether the representative is duly authorized to request redemption on behalf of the applicable beneficial owner.

In addition, neither National nor the Trustee has any responsibility for the actions of the depository or any participant, or any other financial

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institution through which any of the notes may be held, with regard to redemption requests, including any failure to make, or any delay in making, such a request on the part of the depository, any participant or any such other institution. Any representative wishing to request a redemption of notes will need to contact the relevant participant through which the notes are beneficially owned or, if those notes are beneficially owned through a participant indirectly through an account at another financial institution, instruct that institution to contact the participant to make the necessary arrangements to ensure that the request is made in a proper and timely manner.

Subject to the \$25,000 limitation and the two percent aggregate limitation, National will, after the death of any beneficial owner, redeem the notes beneficially owned by the decedent within 60 days following National's receipt of a redemption request from the trustee. If redemption requests exceed the \$25,000 limitation or the two percent aggregate limitation during the initial period or during any subsequent period, then excess redemption requests will be applied, in the order received by the trustee, to successive subsequent periods, regardless of the number of subsequent periods required to redeem the notes. National may at any time notify the trustee that National will redeem, on a date not less than 30 nor more than 60 days after the date of the notice, all or any lesser amount of notes for which redemption requests have been received but that are not then eligible for redemption by reason of the \$25,000 limitation or the two percent aggregate limitation. If National does so, notes will be redeemed in the order of receipt of redemption requests by the trustee.

National will pay 100% of the principal amount plus any unpaid interest accrued to (but excluding) the redemption date for the notes National redeems in accordance with a redemption request of the personal representative of a deceased beneficial owner. Subject to arrangements with the depository, payment for the notes to be redeemed will be made to the depository in the aggregate principal amount specified in the redemption requests submitted to the trustee by the depository that are to be fulfilled in connection with the payment upon presentation of the notes to the trustee for redemption. The principal amount of any notes acquired or redeemed by National other than by redemption at the option of any personal representative of a deceased beneficial owner under the procedures described in this section of the prospectus supplement will not be included in the computation of either the \$25,000 limitation or the two percent aggregate limitation for the initial period or for any subsequent period.

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A note beneficially owned in tenancy by the entirety, by joint tenancy or by tenants in common will be deemed to be beneficially owned by a single beneficial owner, and the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a beneficial owner. The death of a person who, immediately prior to his or her death, was entitled to substantially all of the rights of a beneficial owner of the notes will be deemed the death of the beneficial owner, regardless of the recordation of the ownership interest on the records of the participant, if the decedent's rights are established to the satisfaction of the participant. Rights of this kind will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, community property or other similar joint ownership arrangements, including individual retirement accounts or Keogh H.R. 10 plans maintained solely by or for the decedent or by or for the decedent and any spouse, and trust and certain other arrangements where one person has substantially all of the rights of a beneficial owner during that person's lifetime. In these cases, the trustee, beneficiary or other person(s) entitled to control the disposition of the notes will be deemed to be the personal representative of the decedent.

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If a redemption request is presented on behalf of a deceased beneficial owner and has not been fulfilled at the time National gives notice of its election to redeem the notes, the notes that are the subject of the pending redemption request will be redeemed before any other notes.

Any redemption request may be withdrawn by the personal representative presenting the request upon delivery of a written request for withdrawal given by the participant on behalf of the personal representative to the depository and by the depository to the trustee not less than 30 days before the redemption date.

During any time in which the notes are not represented by one or more global certificates, as described below, and are issued in definitive certificated form:

- o all references in this section of the prospectus supplement to participants and the depository, including the depository's governing rules, regulations and procedures, will be deemed deleted;
- o all determinations that the participants are required to make as described in this section will be made by National, including, without limitation, determining whether the applicable decedent is in fact the beneficial owner of the notes to be redeemed or is in fact deceased and whether the representative is duly authorized to request redemption on behalf of the applicable beneficial owner; and
- o all redemption requests, to be effective, must
 - o be delivered by the representative to the trustee, with a copy to National;
 - o if required by the trustee and National, be in the form of the attached redemption request, with appropriate changes mutually agreed to by the trustee and National to reflect the fact that the redemption request is being executed by a representative, including provision for signature guarantees; and
 - o be accompanied by the note that is the subject of the redemption request or, if applicable, a properly executed assignment or endorsement, in addition to all documents that are otherwise required to accompany a redemption request. If the owner of the note is a nominee of the deceased beneficial owner, a certificate or letter from the nominee attesting to the deceased's beneficial ownership of the note must also be delivered.

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BOOK-ENTRY ONLY ISSUANCE--THE DEPOSITORY TRUST COMPANY

The Depository Trust Company, which is known as DTC, will act as securities depository for the notes. The notes will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC's nominee). One or more fully-registered global certificates for the notes, representing the aggregate principal amount of notes, will be issued and will be deposited with DTC.

The following is based upon information furnished by DTC:

- o DTC is a limited-purpose trust company organized under the New York

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

- o Purchases of notes within the DTC system must be made by or through direct participants, which will receive a credit for the notes on DTC's records. The ownership interest of each actual purchaser of each note ("beneficial owner") is in turn to be recorded on the direct and indirect participants' records. Beneficial owners will not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participants through which the beneficial owners entered into the transaction. Transfers of the notes are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing the notes, except in the event that use of the book-entry system for the notes is discontinued, as discussed below.
- o To facilitate subsequent transfers, all notes deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of the notes. DTC's records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.
- o The delivery of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial owners of notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the notes, such as redemptions, tenders and defaults.

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- o Redemption notices will be sent to Cede & Co., as registered holder of the notes. If less than all of the notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant to be redeemed.
- o Neither DTC nor Cede & Co. will itself consent or vote with respect to notes. Under its usual procedures, DTC mails an Omnibus Proxy to National as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those direct participants to whose accounts the notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).
- o Payments on the notes will be made to Cede & Co., or such other nominee as may be requested by DTC. DTC's practice is to credit direct participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on such payment date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participants and not of DTC or National, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) will be the responsibility of National, disbursement of payments to direct participants will be the responsibility of DTC, and further disbursement of payments to the beneficial owners will be the responsibility of direct participants and indirect participants.

DTC may discontinue providing its services as securities depository for the notes at any time by giving written notice to National and the trustee. Under such circumstances, in the event that a successor securities depository is not obtained, note certificates will be delivered to the beneficial owners. National may decide to replace DTC or any successor depository. Additionally, National may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depository). In that event, certificates for the notes will be printed and delivered.

According to DTC, the foregoing information with respect to DTC is provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind. The information in this section concerning DTC and DTC's book-entry system and procedures has been obtained from sources that National believes to be reliable, but neither National, the underwriters nor the trustee take any responsibility for the accuracy thereof. Neither National, the underwriters nor the trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership of the notes or for maintaining, supervising or reviewing any records relating thereto.

Except as provided herein, a beneficial owner of the notes may not receive physical delivery of notes. Accordingly, each beneficial owner must rely on the procedures of DTC to exercise any rights under the notes.

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Subject to the terms and conditions set forth in the underwriting agreement dated the date of this prospectus supplement between National and the underwriters named below, National has agreed to sell to each of the underwriters named below and each of the underwriters severally has agreed to purchase the principal amount of notes set forth opposite their name below:

Underwriters -----	Principal Amount of Notes -----
Goldman, Sachs & Co.....	\$
Edward D. Jones & Co., L.P.....	-----
Total.....	\$97,700,000 =====

The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the notes are subject to, among other things, the approval of certain legal matters by their counsel and certain other conditions. The underwriters are obligated to take and pay for all the notes if any are taken.

Notes sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any notes sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price of up to % of the principal amount of the notes. Any such securities dealers may resell any notes purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price of up to % of the principal amount of the notes. If all the notes are not sold at the initial public offering price, the underwriters may change the initial public offering price and the other selling terms.

The notes are a new issue of securities with no established trading market. National has been advised by the underwriters that the underwriters intend to make a market in the notes but are not obligated to do so and may discontinue market-making at any time without notice. No assurance can be given as to the liquidity of the trading market for the notes.

In connection with the offering, the underwriters may purchase and sell notes in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of notes than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the notes while the offering is in progress.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the notes. As a result, the price of the notes may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected in the over-the-counter market or otherwise.

The underwriters have in the past engaged, and the underwriters and their affiliates expect in the future to engage, in transactions with, and have provided, and may in the future provide, services for, National and National's affiliates, for which they have in the past received, and may in the future receive, customary fees.

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The expenses in connection with the offer and sale of the notes, other than underwriting discounts, are estimated at \$200,000.

National and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act of 1933.

VALIDITY OF THE NOTES

The validity of the notes will be passed upon for National by Thelen Reid & Priest LLP, New York, New York, and for the underwriters by Pillsbury Winthrop LLP, New York, New York. However, all matters of New Jersey law, including the incorporation of National, will be passed upon only by Stryker, Tams & Dill LLP, Newark, New Jersey.

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APPENDIX A--FORM OF REDEMPTION REQUEST

NATIONAL FUEL GAS COMPANY

% NOTES DUE 2022 (THE "NOTES")

CUSIP NO.

The undersigned, _____ (the "Participant"), does hereby certify, pursuant to the provisions of that certain Indenture dated as of October 1, 1999, as amended, modified or supplemented from time to time (the "Indenture"), between National Fuel Gas Company (the "Issuer") and The Bank of New York, as trustee (the "Trustee"), to The Depository Trust Company (the "Depository"), to the Issuer and to the Trustee that:

1. [Name of deceased Beneficial Owner] ("Beneficial Owner") is deceased and died on [date of death].

2. The Beneficial Owner owned \$ _____ principal amount of the above-referenced Notes through the undersigned on the date of death.

3. _____ ("Representative") is (check one) ☐ the personal representative of the Beneficial Owner or another person authorized to represent the Beneficial Owner or ☐ a surviving joint tenant or a surviving tenant by the entirety of the Notes owned by the Beneficial Owner or ☐ the trustee of a trust that owned the Notes for the Beneficial Owner.

4. The Representative has delivered to the undersigned a request for redemption in form satisfactory to the undersigned, requesting that \$ _____ principal amount of said Notes be redeemed pursuant to the Indenture. The documents accompanying such request are in proper form and are in all respects satisfactory to the undersigned and the Representative is entitled to have the Notes to which this redemption request relates redeemed. The undersigned has obtained the appropriate social security number or other taxpayer identification number and signature with respect to the Beneficial Owner or Representative, as appropriate.

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5. The Participant holds the interest in the Notes with respect to which this redemption request is being made on behalf of the Beneficial Owner.

6. The Participant hereby certifies that it will indemnify and hold harmless the Depositary, the Trustee and the Issuer (including their respective officers, directors, agents, attorneys and employees), against all damages, loss, cost, expense (including reasonable attorneys' and accountants' fees), obligations, claims or liability incurred by the indemnified party or parties as a result of or in connection with the redemption of Notes to which this redemption request relates. The Participant will, at the request of the Issuer, forward to the Issuer a copy of the documents submitted by Representative in support of the request for redemption.

IN WITNESS WHEREOF, the undersigned has executed this redemption request as of _____, 20__.

[PARTICIPANT NAME]

By: _____

Name: _____

Title: _____

DTC Account Number: _____

Telephone: _____

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PROSPECTUS

\$97,700,000

National Fuel Gas Company

DEBT SECURITIES

National Fuel Gas Company may offer from time to time its debt securities (including debentures and medium-term notes).

National Fuel Gas Company will provide specific terms of its debt securities, including their offering prices, interest rates, and maturities, in supplements to this prospectus. The supplements may also add, update or change information contained in this prospectus. You should read this prospectus and any supplements carefully before you invest.

National Fuel Gas Company may offer its debt securities directly or through underwriters, agents or dealers. The supplements to this prospectus will describe the terms of any particular plan of distribution, including any underwriting arrangements. The "Plan of Distribution" section on page 13 of this prospectus also provides more information on this topic.

National Fuel Gas Company's principal executive offices are located at 10 Lafayette Square, Buffalo, New York 14203 and its telephone number is (716)

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857-7000.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is August 20, 1999.

NATIONAL FUEL GAS COMPANY

National Fuel Gas Company (National), a registered holding company under the Public Utility Holding Company Act of 1935, was organized under the laws of New Jersey in 1902. National is engaged in the business of owning and holding securities issued by its subsidiaries: National Fuel Gas Distribution Corporation, National Fuel Gas Supply Corporation, Seneca Independence Pipeline Company, Seneca Resources Corporation, Horizon Energy Development, Inc., National Fuel Resources, Inc., Upstate Energy, Inc., Niagara Independence Marketing Company, Leidy Hub, Inc., Highland Land & Minerals, Inc., Data-Track Account Services, Inc. and Utility Constructors, Inc.

National and its subsidiaries (System) comprise a diversified energy company consisting of five major business segments:

- o the Utility segment, which sells natural gas and provides natural gas transportation services through a local distribution system located in western New York and northwestern Pennsylvania;
- o the Pipeline and Storage segment, which provides interstate natural gas transportation and storage services;
- o the Exploration and Production segment, which is engaged in the exploration for, and the development and purchase of, natural gas and oil reserves in the Gulf Coast of Texas, Louisiana, and Alabama, in California, in Wyoming, and in the Appalachian region of the United States;
- o the International segment, which is engaged in foreign and domestic energy projects through investments as a sole or substantial owner in various business entities; and
- o the Other Nonregulated segment, which engages in the marketing and brokerage of natural gas and electricity and the performance of energy management services for utilities and end-users, natural gas marketing and other energy-related activities, the providing of various natural gas hub services to customers, the marketing of timber, the operating of sawmill and kilns, and the providing of collection services for other subsidiaries of National.

WHERE YOU CAN FIND MORE INFORMATION

National files annual, quarterly and other reports and other information

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with the SEC. You can read and copy any information filed by National with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. You can obtain additional information about the Public Reference Room by calling the SEC at 1-800-SEC-0330.

In addition, the SEC maintains an Internet site (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including National. National also maintains an Internet site (<http://www.nationalfuelgas.com>). Information contained on National's Internet site does not constitute part of this prospectus.

The SEC allows National to "incorporate by reference" the information that National files with the SEC, which means that National may disclose important information to you by referring you to those documents in this prospectus. The information incorporated by reference is an important part of this prospectus. National is incorporating by reference the documents listed below and any future filings National makes with the SEC under Section 13(a), 13(c), 14 or 15(d) of

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the Securities Exchange Act of 1934 until National sells all of these debt securities. Any of those future filings will update, supersede and replace the information contained in any documents incorporated by reference in this prospectus at the time of the future filings.

1. National's Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (Form 10-K).
2. National's Quarterly Reports on Form 10-Q for the quarters ended December 31, 1998, March 31, 1999, and June 30, 1999.

You may request a copy of these documents, at no cost to you, by writing or calling Anna Marie Cellino, Secretary, National Fuel Gas Company, 10 Lafayette Square, Buffalo, New York 14203, telephone (716) 857-7858.

You should rely only on the information contained in, or incorporated by reference in, this prospectus and the prospectus supplement. National has not, and any underwriters, agents or dealers have not, authorized anyone else to provide you with different information. National is not, and any underwriters, agents or dealers are not, making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus and the prospectus supplement is accurate as of any date other than the date on the front of the prospectus supplement or that the information incorporated by reference in this prospectus is accurate as of any date other than the date on the front of those documents.

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows National's ratio of earnings to fixed charges for the periods indicated:

	Fiscal Years Ended September 30,				

Twelve Months ended					
June 30, 1999	1998	1997	1996	1995	1994
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2.87	1.66	4.01	3.80	3.06	3.52
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USE OF PROCEEDS

Except as may otherwise be set forth in the prospectus supplement, the proceeds from the sale of these securities may be used to reduce short-term indebtedness, to redeem or discharge higher cost indebtedness, to finance a portion of the System's capital expenditures, for corporate development purposes, including, without limitation, acquisitions made by or on behalf of National or its subsidiaries, and for other general corporate purposes.

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DESCRIPTION OF DEBT SECURITIES

GENERAL

The following description sets forth certain general terms and provisions of National's unsecured debt securities, consisting of debentures and medium-term notes, that National may offer by this prospectus (Debt Security or Debt Securities). National will describe the particular terms of the Debt Securities, and provisions that vary from those described below, in one or more prospectus supplements.

The Debt Securities will be National's direct unsecured general obligations. The Debt Securities will be senior debt securities. National may issue the Debt Securities from time to time in one or more series. National will issue the Debt Securities under one or more separate Indentures (Indenture) between National and The Bank of New York, as trustee (Trustee).

The following descriptions of the Debt Securities and the Indenture are summaries and are qualified by reference to the Indenture. The form of the Indenture is being filed as an exhibit to the registration statement, and you should read the Indenture for provisions that may be important to you. References to certain sections of the Indenture are included in parentheses. Whenever particular provisions or defined terms in the Indenture are referred to under this "Description of Debt Securities," such provisions or defined terms are incorporated by reference herein. The Indenture will be qualified under the Trust Indenture Act of 1939. You should refer to the Trust Indenture Act of 1939 for provisions that apply to the Debt Securities.

The Debt Securities will rank equally with all of National's other senior, unsecured and unsubordinated debt.

Because National is a holding company that conducts all of its operations through subsidiaries, holders of Debt Securities will generally have a position junior to claims of creditors (including trade creditors of and holders of indebtedness issued by any such subsidiary) and preferred stockholders of the subsidiaries of National. No subsidiary currently has outstanding shares of preferred stock.

The prospectus supplement relating to any series of Debt Securities being offered will include specific terms relating to that offering. These terms will include any of the following terms that apply to that series:

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- o the title of the Debt Securities;
- o the total principal amount of the Debt Securities;
- o the date or dates on which the principal of the Debt Securities will be payable and how it will be paid;
- o the rate or rates at which the Debt Securities will bear interest, or how such rate or rates will be determined;
- o the date or dates from which interest on the Debt Securities will accrue, the interest payment dates on which interest will be paid, and the record dates for interest payments;
- o any right to extend the interest payment periods for the Debt Securities and the duration of the extension;
- o the percentage, if less than 100%, of the principal amount of the Debt Securities that will be payable if the maturity of the Debt Securities is accelerated;
- o any date or dates on which, and the price or prices at which, the Debt Securities may be redeemed at the option of National and any restrictions on such redemptions;

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- o any sinking fund or other provisions or options held by holders of Debt Securities that would obligate National to repurchase or otherwise redeem the Debt Securities;
- o any changes or additions to the Events of Default under the Indenture or changes or additions to the covenants of National under the Indenture;
- o if the Debt Securities will be issued in denominations other than \$1,000;
- o if payments on the Debt Securities may be made in a currency or currencies other than United States dollars;
- o any convertible feature or options regarding the Debt Securities;
- o any rights or duties of another person to assume the obligations of National with respect to the Debt Securities;
- o any collateral, security, assurance or guarantee for the Debt Securities; and
- o any other terms of the Debt Securities not inconsistent with the terms of the Indenture.

(See Section 301.)

The Indenture does not limit the principal amount of Debt Securities or other debt securities thereunder that may be issued. The Indenture allows debt securities thereunder to be issued up to the principal amount that may be authorized by National.

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Debt Securities may be sold at a discount below their principal amount. United States federal income tax considerations applicable to Debt Securities sold at an original issue discount may be described in the prospectus supplement. In addition, certain United States federal income tax or other considerations applicable to any Debt Securities which are denominated or payable in a currency or currency unit other than United States dollars may be described in the prospectus supplement.

Except as may otherwise be described in the prospectus supplement, the covenants contained in the Indenture will not afford holders of Debt Securities protection in the event of a highly-leveraged or similar transaction involving National or in the event of a change in control.

PAYMENT AND PAYING AGENTS

Except as may be provided in the prospectus supplement, interest, if any, on each Debt Security payable on each Interest Payment Date will be paid to the person in whose name such Debt Security is registered as of the close of business on the Regular Record Date for the Interest Payment Date. However, interest payable at maturity will be paid to the person to whom the principal is paid. If there has been a default in the payment of interest on any Debt Security, the defaulted interest may be paid to the holder of such Debt Security as of the close of business on a date to be fixed by the Trustee, which will be between 10 and 15 days prior to the date proposed by National for payment of such defaulted interest or in any other manner permitted by any securities exchange on which such Debt Security may be listed, if the Trustee finds it practicable. (See Section 307.)

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Unless otherwise specified in the prospectus supplement, principal of, and premium, if any, and interest, if any, on the Debt Securities at maturity will be payable upon presentation of the Debt Securities at the corporate trust office of the Trustee, in The City of New York, as Paying Agent for National. National may change the place of payment on the Debt Securities, may appoint one or more additional Paying Agents (including National) and may remove any Paying Agent, all at the discretion of National. (See Section 602.)

REGISTRATION AND TRANSFER

Unless otherwise specified in the prospectus supplement, the transfer of Debt Securities may be registered, and Debt Securities may be exchanged for other Debt Securities of the same series or Tranche, of authorized denominations and with the same terms and principal amount, at the corporate trust office of the Trustee in The City of New York. National may change the place for registration of transfer and exchange of the Debt Securities and may designate additional places for such registration and exchange. Unless otherwise provided in the prospectus supplement, no service charge will be made for any transfer or exchange of the Debt Securities. However, National may require payment to cover any tax or other governmental charge that may be imposed. National will not be required to execute or to provide for the registration of transfer of, or the exchange of, (a) any Debt Security during a period of 15 days prior to giving any notice of redemption or (b) any Debt Security selected for redemption except the unredeemed portion of any Debt Security being redeemed in part. (See Section 305.)

SATISFACTION AND DISCHARGE

National will be discharged from its obligations on the Debt Securities of a particular series, or any portion of the principal amount of the Debt

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Securities of such series, if it irrevocably deposits with the Trustee sufficient cash or government securities to pay the principal, or portion of principal, interest, any premium and any other sums when due on the Debt Securities of such series at their maturity, stated maturity date, or redemption. (See Section 701.)

The Indenture will be deemed satisfied and discharged when no Debt Securities remain outstanding and when National has paid all other sums payable by National under the Indenture. (See Section 702.)

All moneys National pays to the Trustee or any Paying Agent on Debt Securities which remain unclaimed at the end of two years after payments have become due will be paid to or upon the order of National. Thereafter, the Holder of such Debt Security may look only to National for payment thereof.

(See Section 603.)

LIMITATION ON LIENS ON SUBSIDIARY CAPITAL STOCK

The Indenture provides that, except as otherwise specified with respect to a particular series of Debt Securities, National will not pledge, mortgage, hypothecate or grant a security interest in, or permit any pledge, mortgage, security interest or other lien upon, any capital stock of any of its majority-owned subsidiaries, which capital stock National now or hereafter directly owns, to secure any Indebtedness, as defined below, without also securing the outstanding Debt Securities (so long as the other Indebtedness shall be so secured) equally and ratably, with or, at National's option, prior to, the other Indebtedness and any other Indebtedness similarly entitled to be so secured.

This limitation does not apply to, or prevent the creation or existence of:

- (1) any pledge, mortgage, security interest, lien or encumbrance upon any such capital stock created at the time National acquires that capital stock or within 270 days after that time to secure the purchase price for that capital stock so acquired;
- (2) any pledge, mortgage, security interest, lien or encumbrance upon any such capital stock existing at the time National acquires that capital stock, whether or not National assumes the secured obligations; or
- (3) any extension, renewal, replacement or refunding of any pledge, mortgage, security interest, lien or encumbrance permitted by (1) and (2) above, or of any Indebtedness secured thereby; provided, that,
 - (a) the principal amount of Indebtedness so secured immediately after the extension, renewal, replacement or refunding may not exceed the principal amount of Indebtedness so secured immediately before the extension, renewal, replacement or refunding, and
 - (b) the extension, renewal, replacement or refunding of such pledge, mortgage, security interest, lien or encumbrance is limited to no more than the same proportion of all shares of capital stock as were covered by the pledge, mortgage, security interest, lien or encumbrance that was extended, renewed, refunded or replaced; or
- (4) any judgment, levy, execution, attachment or other similar lien arising in connection with court proceedings, provided that:

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- (a) the execution or enforcement of the lien is effectively stayed within 30 days after entry of the corresponding judgment, or the corresponding judgment has been discharged within such 30 day period, and the claims secured thereby are being contested in good faith by appropriate proceedings timely commenced and diligently prosecuted; or
- (b) the payment of the lien is covered in full by insurance and the insurance company has not denied or contested coverage thereof; or
- (c) so long as the lien is adequately bonded, any appropriate legal proceedings that may have been duly initiated for the review of the corresponding judgment, decree or order shall not have been fully terminated or the period within which these proceedings may be initiated shall not have expired.

Any pledge, mortgage, security interest, lien or encumbrance on any shares of the capital stock of any of the majority-owned subsidiaries of National, which shares of capital stock National now or hereafter directly owns, to secure any Indebtedness other than as described in (1) through (4) above, is referred to in this prospectus as a "Restricted Lien". This limitation on liens does not apply to the extent that National creates any Restricted Liens to secure Indebtedness that, together with all other Indebtedness of National secured by Restricted Liens, does not at the time exceed 5% of National's Consolidated Capitalization. (See Section 608.)

For this purpose, "Consolidated Capitalization" means the sum of:

- (1) Consolidated Common Shareholders' Equity;
- (2) Consolidated Indebtedness, exclusive of any that is due and payable within one year of the date the sum is determined; and, without duplication
- (3) any preference or preferred stock of National or any Consolidated Subsidiary, as defined below, which is subject to mandatory redemption or sinking fund provisions.

The term "Consolidated Common Shareholders' Equity" as used above means the total assets of National and its Consolidated Subsidiaries that would, in accordance with generally accepted accounting principles in the United States, be classified on a balance sheet as assets, less: (a) all liabilities of National and its Consolidated Subsidiaries that would, in accordance with

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generally accepted accounting principles in the United States, be classified on a balance sheet as liabilities; (b) minority interests owned by third parties in Consolidated Subsidiaries of National; and (c) preference or preferred stock of National and its Consolidated Subsidiaries only to the extent any such preference or preferred stock is subject to mandatory redemption or sinking fund provisions.

The term "Consolidated Indebtedness" means total indebtedness as shown on the consolidated balance sheet of National and its Consolidated Subsidiaries.

The term "Consolidated Subsidiary," as used above, means at any date any majority-owned subsidiary the financial statements of which under generally

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accepted accounting principles in the United States would be consolidated with those of National in its consolidated financial statements as of such date.

For purposes of the limitation described in the first paragraph under this heading, "Indebtedness" means:

- (1) all indebtedness created or assumed by National for the repayment of money borrowed;
- (2) all indebtedness for money borrowed secured by a lien upon capital stock owned by National and upon which indebtedness for money borrowed National customarily pays interest, although National has not assumed or become liable for the payment of such indebtedness for money borrowed; and
- (3) all indebtedness of others for money borrowed which is guaranteed as to payment of principal by National or in effect guaranteed by National through a contingent agreement to purchase such indebtedness for money borrowed, but excluding from this definition any other contingent obligation of National in respect of indebtedness for money borrowed or other obligations incurred by others.

The foregoing limitation does not limit in any manner the ability of: (1) National to place liens on any of its assets other than the capital stock of directly held, majority-owned subsidiaries; (2) National to cause the transfer of its assets or those of its subsidiaries, including the capital stock covered by the foregoing restrictions; or (3) any of the direct or indirect subsidiaries of National to place liens on any of their assets.

In addition, the Indenture provides that if debentures issued by National under the indenture dated as of October 15, 1974, as supplemented (1974 Indenture), between National and The Bank of New York, as trustee, in an aggregate principal amount in excess of 5% of National's Consolidated Capitalization become secured pursuant to the provisions of the 1974 Indenture, National will secure the outstanding Debt Securities equally and ratably with those debentures. If National secures the outstanding Debt Securities, as provided in the prior sentence, and for so long as the aggregate principal amount of the debentures secured pursuant to the 1974 Indenture at any time decreases and as a result constitutes 5% or less of National's Consolidated Capitalization, the outstanding Debt Securities will no longer be secured. (See Section 608.)

As of June 30, 1999, the Consolidated Capitalization of National was approximately \$1,670 million.

CONSOLIDATION, MERGER, AND SALE OF ASSETS

Under the terms of the Indenture, National may not consolidate with or merge into any other entity or convey, transfer or lease its properties and assets substantially as an entirety to any entity, unless:

- o the surviving or successor entity is organized and validly existing under the laws of any domestic jurisdiction and it expressly assumes National's obligations on all Debt Securities and under the Indenture;

- o immediately after giving effect to the transaction, no Event of Default and no event which, after notice or lapse of time or both, would become an Event of Default shall have occurred and be

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continuing; and

- o National shall have delivered to the Trustee an officer's certificate and an opinion of counsel as to compliance with the foregoing.

The terms of the Indenture do not restrict National in a merger in which National is the surviving entity. (See Section 1101.)

EVENTS OF DEFAULT

"Event of Default" when used in the Indenture with respect to any series of Debt Securities, means any of the following:

- o failure to pay interest, if any, on any Debt Security of the applicable series for 30 days after it is due;
- o failure to pay the principal of or premium, if any, on any Debt Security of the applicable series when due (whether at maturity or upon earlier redemption);
- o failure to perform any other covenant in the Indenture, other than a covenant that does not relate to that series of Debt Securities, that continues for 90 days after National receives written notice from the Trustee, or National and the Trustee receive a written notice from 33% of the holders of the Debt Securities of such series; however, the Trustee or the Trustee and the holders of such principal amount of Debt Securities of this series can agree to an extension of the 90 day period and such an agreement to extend will be automatically deemed to occur if National is diligently pursuing action to correct the default;
- o certain events in bankruptcy, insolvency or reorganization of National; or
- o any other event of default included in any supplemental indenture or officer's certificate for a specific series of Debt Securities.

(See Section 801).

The Trustee may withhold notice to the holders of Debt Securities of any default, except default in the payment of principal, premium or interest, if it considers such withholding of notice to be in the interests of the holders. An Event of Default for a particular series of Debt Securities does not necessarily constitute an Event of Default for any other series of Debt Securities issued under the Indenture.

REMEDIES

Acceleration of Maturity

If an Event of Default with respect to fewer than all the series of Debt Securities occurs and continues, either the Trustee or the holders of at least 33% in principal amount of the Debt Securities of such series may declare the entire principal amount of all the Debt Securities of such series, together with accrued interest, to be due and payable immediately. However, if the Event of Default is applicable to all outstanding Debt Securities under the Indenture, only the Trustee or holders of at least 33% in principal amount of all outstanding Debt Securities of all series, voting as one class, and not the holders of any one series, may make such a declaration of acceleration.

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At any time after a declaration of acceleration with respect to the Debt Securities of any series has been made and before a judgment or decree for payment of the money due has been obtained, the Event of Default giving rise to such declaration of acceleration will be considered waived, and such declaration and its consequences will be considered rescinded and annulled, if:

- o National has paid or deposited with the Trustee a sum sufficient to pay:
 - (1) all overdue interest, if any, on all Debt Securities of the series;
 - (2) the principal of and premium, if any, on any Debt Securities of the series which have otherwise become due and interest, if any, that is currently due;
 - (3) interest, if any, on overdue interest; and
 - (4) all amounts due to the Trustee under the Indenture; or
- o any other Event of Default with respect to the Debt Securities of that series has been cured or waived as provided in the Indenture.

There is no automatic acceleration, even in the event of bankruptcy, insolvency or reorganization of National. (See Section 802.)

Right to Direct Proceedings

Other than its duties in case of an Event of Default, the Trustee is not obligated to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders, unless the holders offer the Trustee a reasonable indemnity. (See Section 903.) If they provide a reasonable indemnity, the holders of a majority in principal amount of any series of Debt Securities will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee. However, if the Event of Default relates to more than one series, only the holders of a majority in aggregate principal amount of all affected series will have the right to give this direction. (See Section 812). The Trustee is not obligated to comply with directions that conflict with law or other provisions of the Indenture.

Limitation on Right to Institute Proceedings

No holder of Debt Securities of any series will have any right to institute any proceeding under the Indenture, or to exercise any remedy under the Indenture, unless:

- o the holder has previously given to the Trustee written notice of a continuing Event of Default;
- o the holders of a majority in aggregate principal amount of the outstanding Debt Securities of all series in respect of which an Event of Default shall have occurred and be continuing have made a written request to the Trustee, and have offered reasonable indemnity to the Trustee to institute proceedings; and
- o the Trustee has failed to institute any proceeding for 60 days after notice and has not received any direction inconsistent with the written request of holders during such period.

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(See Section 807.)

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No Impairment of Right to Receive Payment

However, such limitations do not apply to a suit by a holder of a Debt Security for payment of the principal of or premium, if any, or interest, if any, on a Debt Security on or after the applicable due date. (See Section 808.)

Annual Notice to Trustee

National will provide to the Trustee an annual statement by an appropriate officer as to National's compliance with all conditions and covenants under the Indenture. (See Section 606.)

MODIFICATION AND WAIVER

National and the Trustee may enter into one or more supplemental indentures without the consent of any holder of Debt Securities for any of the following purposes:

- o to evidence the assumption by any permitted successor of the covenants of National in the Indenture and in the Debt Securities;
- o to add additional covenants of National or to surrender any right or power of National under the Indenture;
- o to add additional Events of Default;
- o to change, eliminate, or add any provision to the Indenture; provided, however, if the change, elimination, or addition will adversely affect the interests of the holders of Debt Securities of any series in any material respect, such change, elimination, or addition will become effective only:
 - (1) when the consent of the holders of Debt Securities of such series has been obtained in accordance with the Indenture; or
 - (2) when no Debt Securities of the affected series remain outstanding under the Indenture;
- o to provide collateral security for all but not part of the Debt Securities;
- o to establish the form or terms of Debt Securities of any other series as permitted by the Indenture;
- o to provide for the authentication and delivery of bearer securities and coupons attached thereto;
- o to evidence and provide for the acceptance of appointment of a successor trustee;
- o to provide for the procedures required for use of a noncertificated system of registration for the Debt Securities of all or any series;
- o to change any place where principal, premium, if any, and interest shall be payable, Debt Securities may be surrendered for registration of transfer or exchange and notices to National may be served; or

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- o to cure any ambiguity or inconsistency or to make any other provisions with respect to matters and questions arising under the Indenture; provided that such action shall not adversely affect the interests of the holders of Debt Securities of any series in any material respect.

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(See Section 1201.)

The holders of at least a majority in aggregate principal amount of the Debt Securities of all series then outstanding may waive compliance by National with certain restrictive provisions of the Indenture. (See Section 607.) The holders of not less than a majority in principal amount of the outstanding Debt Securities of any series may waive any past default under the Indenture with respect to that series, except a default in the payment of principal, premium, if any, or interest and certain covenants and provisions of the Indenture that cannot be modified or be amended without the consent of the holder of each outstanding Debt Security of the series affected. (See Section 813.)

If the Trust Indenture Act of 1939 is amended after the date of the Indenture in such a way as to require changes to the Indenture, the Indenture will be deemed to be amended so as to conform to such amendment of the Trust Indenture Act of 1939. National and the Trustee may, without the consent of any holders, enter into one or more supplemental indentures to evidence such an amendment. (See Section 1201.)

The consent of the holders of a majority in aggregate principal amount of the Debt Securities of all series then outstanding is required for all other modifications to the Indenture. However, if less than all of the series of Debt Securities outstanding are directly affected by a proposed supplemental indenture, then the consent only of the holders of a majority in aggregate principal amount of all series that are directly affected will be required. No such amendment or modification may:

- o change the stated maturity of the principal of, or any installment of principal of or interest on, any Debt Security, or reduce the principal amount of any Debt Security or its rate of interest or change the method of calculating such interest rate or reduce any premium payable upon redemption, or change the currency in which payments are made, or impair the right to institute suit for the enforcement of any payment on or after the stated maturity of any Debt Security, without the consent of the holder;
- o reduce the percentage in principal amount of the outstanding Debt Securities of any series whose consent is required for any supplemental indenture or any waiver of compliance with a provision of the Indenture or any default thereunder and its consequences, or reduce the requirements for quorum or voting, without the consent of all the holders of the series; or
- o modify certain of the provisions of the Indenture relating to supplemental indentures, waivers of certain covenants and waivers of past defaults with respect to the Debt Securities of any series, without the consent of the holder of each outstanding Debt Security affected thereby.

A supplemental indenture which changes the Indenture solely for the benefit of one or more particular series of Debt Securities, or modifies the rights of the holders of Debt Securities of one or more series, will not affect the rights

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under the Indenture of the holders of the Debt Securities of any other series. (See Section 1202.)

The Indenture provides that Debt Securities owned by National or anyone else required to make payment on the Debt Securities shall be disregarded and considered not to be outstanding in determining whether the required holders have given a request or consent. (See Section 101.)

National may fix in advance a record date to determine the required number of holders entitled to give any request, demand, authorization, direction, notice, consent, waiver or other such act of the holders, but National shall have no obligation to do so. If such a record date is fixed, such request, demand, authorization, direction, notice, consent, waiver or other act of the holders may be given before or after such record date, but only the holders of record at the close of business on that record date will be considered holders for the purposes of determining whether holders of the required percentage of the outstanding Debt Securities have authorized or agreed or consented to such

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request, demand, authorization, direction, notice, consent, waiver or other act of the holders. For that purpose, the outstanding Debt Securities shall be computed as of the record date. Any request, demand, authorization, direction, notice, consent, election, waiver or other act of a holder shall bind every future holder of the same Debt Securities and the holder of every Debt Security issued upon the registration of transfer of or in exchange of such Debt Securities. A transferee will be bound by acts of the Trustee or National taken in reliance thereon, whether or not notation of such action is made upon such Debt Security. (See Section 104.)

RESIGNATION OF A TRUSTEE

A Trustee may resign at any time by giving written notice to National or may be removed at any time by act of the holders of a majority in principal amount of all series of Debt Securities then outstanding delivered to the Trustee and National. No resignation or removal of a Trustee and no appointment of a successor trustee will be effective until the acceptance of appointment by a successor trustee. So long as no Event of Default or event which, after notice or lapse of time, or both, would become an Event of Default has occurred and is continuing and except with respect to a Trustee appointed by act of the holders, if National has delivered to the Trustee a resolution of its Board of Directors appointing a successor trustee and such successor has accepted such appointment in accordance with the terms of the respective Indenture, the Trustee will be deemed to have resigned and the successor will be deemed to have been appointed as trustee in accordance with such Indenture. (See Section 910.)

NOTICES

Notices to holders of Debt Securities will be given by mail to the addresses of such holders as they may appear in the security register therefor. (See Section 106.)

TITLE

National, the Trustee, and any agent of National or the Trustee, may treat the person in whose name Debt Securities are registered as the absolute owner thereof, whether or not such Debt Securities may be overdue, for the purpose of making payments and for all other purposes irrespective of notice to the contrary. (See Section 308.)

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GOVERNING LAW

Each Indenture and the Debt Securities will be governed by, and construed in accordance with, the laws of the State of New York. (See Section 112.)

REGARDING THE TRUSTEE

The Trustee will be The Bank of New York. In addition to acting as Trustee, The Bank of New York acts, and may act, as trustee under various indentures and trusts of National and its affiliates.

PLAN OF DISTRIBUTION

National may sell the Debt Securities in one or more series in any of three ways: (i) through underwriters or dealers; (ii) through agents; or (iii) directly to a limited number of purchasers or to a single purchaser.

THROUGH UNDERWRITERS OR DEALERS. If underwriters are used in the sale, the Debt Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at the initial public offering price or at varying prices determined at the time of the sale. The Debt Securities may be offered to

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the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more managing underwriters. The underwriter or underwriters with respect to Debt Securities will be named in the prospectus supplement relating to such offering and, if an underwriting syndicate is used, the managing underwriter or underwriters will be set forth on the cover page of such prospectus supplement. Unless otherwise set forth in such prospectus supplement, the obligations of the underwriters to purchase the Debt Securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all of the Debt Securities if any are purchased.

THROUGH AGENTS. Debt Securities may be sold through agents designated by National from time to time. The prospectus supplement will set forth the name of any agent involved in the offer or sale of the Debt Securities in respect of which such prospectus supplement is delivered as well as any commissions payable by National to such agent. Unless otherwise indicated in such prospectus supplement, any such agent will be acting on a reasonable best efforts basis for the period of its appointment.

DIRECTLY. National may sell the Debt Securities directly to one or more purchasers. In this case, no underwriters or agents would be involved.

GENERAL INFORMATION. The prospectus supplement with respect to the Debt Securities will set forth the terms of the offering of such Debt Securities, including: (a) the name or names of any underwriters, dealers or agents; (b) the purchase price of such Debt Securities and the proceeds to National from such sale; (c) any underwriting discounts, agents' commissions and other items constituting underwriting compensation; (d) any initial public offering price; and (e) any discounts or concessions allowed or reallocated or paid to dealers. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If so indicated in the prospectus supplement with respect to the Debt Securities, National may authorize agents, underwriters or dealers to solicit offers by certain specified institutions to purchase the Debt Securities from National at the initial public offering price set forth in the prospectus

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supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject to those conditions set forth in such prospectus supplement, and such prospectus supplement will set forth the commission payable for solicitation of such contracts.

Agents, underwriters and dealers may be entitled under agreements entered into with National to indemnification by National against certain civil liabilities, including certain liabilities under the Securities Act of 1933 or to contribution by National with respect to payments which such agents, underwriters and dealers may be required to make in respect thereof.

EXPERTS

The consolidated financial statements incorporated in this prospectus by reference to National's most recent Annual Report on Form 10-K have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The information incorporated in this prospectus by reference to National's most recent Annual Report on Form 10-K relating to the oil and gas reserves of Seneca Resources Corporation, which has been specifically attributed to Ralph E. Davis Associates, Inc., has been reviewed and verified by said firm and has been included herein in reliance upon the authority of said firm as an expert.

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LEGALITY

The legality of the Debt Securities will be passed upon for National by Thelen Reid & Priest LLP, 40 West 57th Street, New York, New York 10019, and for the underwriters, dealers, or agents by Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, New York 10004. However, all matters of New Jersey law, including the incorporation of National, will be passed upon only by Stryker, Tams & Dill LLP, Two Penn Plaza East, Newark, New Jersey 07105.

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus supplement or the accompanying prospectus. You must not rely on any unauthorized information or representations. This prospectus supplement and the accompanying prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is

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\$97,700,000

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lawful to do so. The information contained in this prospectus supplement and the accompanying prospectus is current only as of its date.

NATIONAL FUEL GAS COMPANY

% Notes due 2022

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

the Company. In addition, there are no interlocking relationships between any of these directors and any other current Executive Officer of the Company, and each of them other than JD Alexander is independent under the listing standards of Nasdaq. Because Alico is a Controlled Company under Nasdaq Rule 5615(c)(1), all directors of the Compensation Committee do not have to be independent, and Mr. Alexander is permitted to serve on the Compensation Committee.

Executive Committee

The Executive Committee was formed on October 29, 2009 and operates pursuant to a charter adopted by the Board on October 29, 2009, a copy of which is posted on the Company's website at www.alicoinc.com. The Executive Committee does not receive compensation for committee meetings. The Executive Committee currently is composed of five non-employee directors and one alternate: JD Alexander (Chairman), John R. Alexander, Ramon A. Rodriguez, John D. Rood and Dr. Gordon Walker with Robert J. Viguet, Jr. serving as an alternate. The Executive Committee may, in the intervals between meetings of the Board, exercise all or any of the powers of the Board, except that in accordance with Section 607.0825 of the Florida Business Corporation Act, the Committee may not take action to: approve or recommend to shareholders actions or proposals required by the Florida Business Corporation Act to be approved by shareholders; fill vacancies on the Board or any Committee thereof; adopt, amend or repeal the Bylaws; authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board; authorize or approve the issuance or sale or contract for the sale of shares, or determine the designation and relative rights, preferences, and limitations of a voting group except that the Board may authorize a committee or senior Executive Officer of the

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corporation to do so within limits specifically prescribed the the Board; engage the Company's Independent Registered Accounting Firm; approve related party transactions involving Committee members.

Nominating and Governance Committee

The Nominating and Governance Committee, which is composed of four directors, is charged with identifying individuals qualified to become board members, recommending to the Board the director nominees for the next annual meeting of shareholders or to fill vacancies between annual meetings, and with various corporate governance oversight responsibilities. The Nominating and Governance Committee met three (3) times during the fiscal year ended September 30, 2009. The Committee operates pursuant to a Charter, most recently amended on September 10, 2009, which is posted on the Company's website at www.alicoinc.com and procedural resolutions adopted by the Committee from time to time, copies of which are also posted on the Company's website.

Currently the members of the Nominating and Governance Committee are: Dr. Gordon Walker (Chairman), JD Alexander, Charles L. Palmer and John D. Rood. With the exception of JD Alexander, the President and Chief Executive Officer of Atlanticblue, the Company's controlling shareholder, the Nominating and Governance Committee is currently composed entirely of directors who satisfy the definition of independent under the Nasdaq listing standards which are applicable to Companies which are not controlled companies. Because Alico is a controlled corporation under Nasdaq Rule 5615(c)(1), Mr. JD Alexander is permitted to serve on the Nominating and Governance Committee. Mr. JD Alexander joined the Nominating and Governance Committee on September 11, 2008.

Nominating and governance committee members were paid \$1,000 for each committee meeting attended in person or \$500 for each meeting attended telephonically but not paid for more than two meetings in any twelve month period in person beginning February 20, 2009. The Chairman of the Nominating and Governance Committee received additional annual compensation of \$5,000 which was paid in quarterly installments. For Directors electing to receive fees in Company stock, stock from treasury purchases was used to compensate directors at 150% of the fees otherwise due in cash for such attendance or service.

The Nominating and Governance Committee and the Board require that all candidates for directors be persons of integrity and sound ethical character, be able to represent all shareholders fairly, have no interests that materially conflict with those of the Company and its shareholders, have demonstrated professional achievement, have meaningful management, advisory or policy making experience, have a general appreciation of the major business issues facing the Company and have adequate time to devote to service on the Board. The Board also evaluates candidates based on their independence from the Company, financial literacy, knowledge of the Company's industry and experience serving on other Boards. For each annual meeting of the Company's shareholders, the Nominating and Governance Committee nominates qualified incumbent directors who continue to satisfy the foregoing criteria for membership on the Board, whom the Committee believes will continue to make important contributions to the Board and who consent to stand for reelection and, if re-elected, to continue their service on the Board. If there are Board positions for which the Nominating and Governance Committee will not be re-nominating a qualified incumbent, the Committee's members will solicit recommendations for nominees from persons they believe are likely to be familiar with qualified candidates, including members of the Board and senior management. The Nominating and Governance Committee may also engage a search firm to assist in identifying qualified candidates and will consider recommendations for director nominations submitted by shareholders entitled to vote generally in the election of shareholders, in accordance with Committee's policy for such shareholder recommendations as described herein. The Nominating and Governance Committee will review and evaluate each candidate whom it believes merits serious consideration, taking into account all available information concerning the candidate, the qualifications for Board membership established by the Nominating and Governance Committee, the existing composition and mix of talent and expertise on the Board and other factors that it deems relevant. In conducting its review and evaluation, the Committee may solicit the views of management and other members of the Board and may conduct interviews of proposed candidates. The Company paid fees to a third party in connection with the identification or evaluation of potential nominees for the year ended September 30, 2009 in the amount of \$49,016.

The Nominating and Governance Committee has adopted a formal policy with regard to the consideration of any director candidates recommended by shareholders other than Atlanticblue, Alico's controlling shareholder. Atlanticblue is not included in this policy because as the controlling shareholder of Alico, representatives of Atlanticblue serve on Alico's Board and Nominating and Governance Committees, and its views on the nominating process are expressed through these channels. Subject to the foregoing, the criteria for consideration of shareholder recommendations are as follows: (a) for each annual meeting of the Company's shareholders, the Nominating and Governance Committee will accept for consideration only one recommendation from any shareholder or affiliated group of shareholders; (b) only candidates who satisfy the Company's minimum qualifications for directors will be considered, and (c) in considering shareholder recommendations, the Committee will take into account, among other factors, the size and duration of the recommending shareholder's ownership interest in the Company and whether the shareholder intends to continue holding that interest through the annual meeting date. A shareholder wishing to recommend to the Nominating and Governance Committee a candidate for election as a director must submit the recommendation in writing to the Nominating Committee, in care of the Company's corporate secretary at the address of the Company's headquarters. Submissions by shareholders recommending candidates for election at the next annual meeting must comply with the same deadline as other shareholder proposals for such meeting; that is, the recommendations must be received not later than 120 calendar days prior to the first anniversary of the date of the proxy statement for the prior annual meeting of shareholders. In the event that the date of the next annual meeting of shareholders is more than 30 days following the first anniversary date of the annual meeting of shareholders for the prior year, the submission must be made in a reasonable time in advance of the mailing of the Company's next annual proxy statements. Each nominating recommendation must include such specified information concerning the shareholder group of shareholders making the recommendations as the Nominating and Governance Committee may determine from time to time, the name of the proposed nominee, any relationships between the recommending shareholder and the proposed nominee and the qualifications of the proposed nominee to serve as a director. The recommendation must also be accompanied by the consent of the proposed nominee to serve if nominated and the agreement of the nominee to be contacted by the Nominating and Governance Committee, if the Committee decides in its discretion to do so.

All director nominees approved by the Nominating and Governance Committee for inclusion in the Company's proxy card for the next annual meeting are directors who were elected at the last Annual Meeting of Shareholders held on February 20, 2009 and who are standing for re-election except Ramon A. Rodriguez and John D. Rood, who were elected to the Board in May of 2009. Mr. Rodriguez and Mr. Rood were elected to the Board upon the recommendation of the Nominating and Governance Committee after soliciting the names of potential nominees from management and the existing directors. Mr. Rood's name was suggested by director JD Alexander and Mr. Rodriguez's name was suggested by Charles L. Palmer at a meeting of the Board of Directors in May of 2009. Mr. Rodriguez and Mr. Rood were interviewed by four existing directors and asked to submit information concerning their experience and background. Upon completing this process, the Committee found that Mr. Rodriguez and Mr. Rood met the specified criteria and would positively strengthen the Board and benefit the Company by reason of their experience if elected, and they were elected to the Board at that time.

This year the Nominating Committee decided to propose nine nominees for nine positions, all of whom are currently Board members. The Board has set the number of directors at nine, beginning with the annual meeting in February, 2010, based on this recommendation. Under Florida law and the Corporation's Bylaws, the Board may increase the number of directors during the year and appoint additional directors to fill the vacancies so created if it chooses to do so. There is no plan to do so at the present time. The nine nominees receiving the most votes will be seated as directors.

Special Committee

In addition to the standing committees described above, on October 31, 2008 the Board established a Special Committee to investigate a shareholder derivative action complaint filed by Baxter Troutman against JD Alexander and John R. Alexander which names Alico as a nominal defendant. Mr. Troutman, a former director of the Company, is the cousin of JD Alexander and nephew of John R. Alexander, and is a shareholder in Atlanticblue and Alico. The complaint alleges that JD Alexander and John R. Alexander committed breaches of fiduciary duty in connection with a proposed merger of Atlanticblue into Alico which was proposed in 2004 and withdrawn by Atlanticblue in 2005. A more complete description of the lawsuit was reported in the Alico's 8-K filing dated October 29, 2008. On June 3, 2009 the Special Committee completed its investigation with the assistance of independent legal counsel, and determined that it would not be in Alico's best interest to pursue such litigation. Alico has filed a motion to dismiss the litigation based on the findings of the Special Committee. The Special Committee consists entirely of directors independent of Atlanticblue, and is currently composed of Charles L. Palmer (Chairman) and Evelyn D. An. Mr. Palmer received Company stock with a market value of \$47,250 and Ms. D. An received Company stock with a market value of \$21,000 for their services on the committee for fiscal year 2009. Phillip S. Dingle served on the Special Committee from October 2008 until February 2009 when Mr. Dingle chose not to stand for reelection to the Company's Board of Directors. Mr. Dingle received Company stock with a market value of \$7,500 for his services on the Special Committee for fiscal year 2009.

INDEPENDENCE OF DIRECTORS

Each Director has been asked to complete an independence questionnaire which elicits responses about each Director's personal and business relationships and other factors affecting his/her independence. Based on its review of such questionnaires and all other available information, the Nominating and Governance Committee analyzed the independence of each director and determined that the following directors meet the standards of independence under applicable Nasdaq listing standards, including that each member is free of any relationship that would interfere with his or her individual exercise of independent judgment: Ms. D. An and Messrs. Palmer, Rodriguez, Rood, and Walker were determined to be independent according to the guidelines. In addition, the Nominating and Governance Committee has determined that by virtue of his service on the Board of Atlanticblue, Mr. Viguet is independent for all committee assignments other than the Audit Committee. Mr. Viguet abstains from voting on any matter in which Atlanticblue has an interest.

It is the policy of the Board to have separate meetings for Independent Directors at least twice a year and at other times as requested by an Independent Director. Each meeting shall be led by a chairman chosen pro tem by the Independent Directors.

CODE OF ETHICS

On February 20, 2009, the Board of Directors amended the Company's Code of Business Conduct and Ethics. This Code of Ethics applies to all directors, officers and employees and includes a Whistleblower Policy with procedures for the submission of complaints or concerns regarding financial statement disclosures and other matters. These amendments were essentially administrative in nature. A copy of the revised Code of Ethics is posted on the Company's website. Any person will be provided with a copy of such Code of Ethics without charge upon written request to the Company's address, attention: Denise Plair, Corporate Secretary. A copy of the revised Code of Ethics may also be found as an Exhibit to the Company's Annual Report on Form 10-K for the year ended September 30, 2009.

COMPENSATION COMMITTEE REPORT

Compensation Philosophy

The Company seeks to attract, retain and motivate highly qualified employees at all levels, and in particular, those whose performance is most critical to the Company's success. To accomplish this, the Company is willing to provide compensation to motivate and reward performance. The compensation programs of Alico, Inc. are an integral part of executing the Company's strategy is to produce superior returns for its shareholders.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis that immediately follows this report. Based on this review and discussion, the Compensation Committee has recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's Annual Report on Form 10-K for the year ended September 30, 2009.

Submitted by the Compensation Committee of the Board:

Charles L. Palmer, Chairman

JD Alexander

Robert J. Viguet, Jr.

Compensation Discussion and Analysis

Overview. The Company's business agriculture and land management, operates in a competitive environment requiring management with specialized skills in these sectors. In addition, the Company's location, far from large metropolitan areas, presents certain challenges in attracting top management talent with the adequate combination of skill set and knowledge in certain disciplines critical to the success of the Company's operations. In order to compete effectively for such talent, the Committee designed the Company's executive compensation programs to attract qualified Executive Officers, retain them by rewarding loyalty and tenure, and motivate them by rewarding performance. This performance-based compensation objective results in a compensation program that:

provides executives with compensation that maintains a balance between cash and stock compensation;

provides a significant portion of total compensation on an at risk basis, so that pay may vary depending on both annual and long-term performance of the Company and the creation of shareholder value; and

aligns the Company's Executive Officers' interests with those of the Company's stockholders.

The basic elements of compensation for the Company's Executive Officers are (a) base annual salary, (b) annual performance-based cash incentive awards which may be taken in stock at the election of the executive, implemented through the Company's Management Bonus Plan (MBP) and (c) long-term incentive compensation realized through restricted stock grants or participation in the Company's Management Security Plan (MSP) for certain executives (other than senior executives). Perquisites or other fringe benefits make up only a very minor portion of the total annual compensation. None of the named Executive Officers are covered by employment, severance or change in control agreements. To date the Company has not used the services of a compensation consultant in establishing compensation targets for its executives.

The core principles underlying the framework for Alico's compensation program are:

Total compensation must be sufficient, relative to compensation at companies of comparable size and similar industries and will target levels that will attract, motivate and retain talented executives.

Pay must be performance based so that a significant part of each executive's annual cash compensation is directly linked to a combination of the overall performance of the Company, division and individual financial and non-financial performance goals (based on the achievement of predetermined business plan goals and metrics).

A portion of the total compensation should be equity-based so as to better align the Company's senior management's performance with that of its shareholder interests, so that they manage from the perspective of owners with an equity stake in the Company.

Compensation should instill a long-term commitment to the Company and promote long-term thinking among the Company's management team.

The annual performance review for determining compensation follows a principled, structured framework for analysis. This analysis focuses on financial and non-financial performance measures that the Committee believes collectively best indicate successful management of Alico's business. The analysis takes into account performance against internal business goals.

Equity participation is an important component of the senior management team's compensation. The Compensation Committee believes that stock ownership is the simplest, most direct way to align the interests of the Executive Officers with those of Alico's stockholders. The vesting and other design features of these awards, encourage long-term stock ownership by the Company's Executive Officers to further motivate them to create long-term stockholder value.

Excellence in Governance. The Company's executive compensation program relies on the Committee's judgment in evaluating performance using a principled, structured framework for analysis. The Committee actively engages in the evaluation process and follows procedures intended to ensure excellence in the Company's pay-for-performance mandate. For example, the Committee annually reviews each Executive Officer's total compensation package, including base salary, cash and stock incentive awards, qualified and nonqualified retirement and deferred compensation benefit accruals and the incremental cost of all perquisites. The Committee utilizes, and makes available to the full Board, an executive compensation statement, or tally sheet, for each Executive Officer for this purpose. The compensation totals are then compared to the Company's Peer group executive compensation data as well as to other companies comparable to Alico on various measures. Finally, each Executive Officer's compensation is compared to such officer's total evaluation on a Performance to Plan Goals basis.

Examples of Alico's Commitment to Performance-based Compensation. The Committee believes that its actions in recent years demonstrates its commitment to the pay-for-performance mandate:

Alico does not have any employment, severance or change in control agreements with any of its current Executive Officers, although it did enter into compensation agreements contemporaneously with the retirement of Mr. John Alexander and the resignation of Dan Gunter. The terms of their arrangements have been disclosed in Form 8-Ks.

Alico encourages long-term stock ownership by its senior Executive Officers, with graduated vesting over a period of several years in the case of most awards.

Alico has not issued stock options in recent years, shifting to restricted stock as part of a balanced approach to stock compensation.

The Company's 2008 Incentive Equity Plan was modified from the 1998 Incentive Equity Plan to prohibit discounted stock options.

The Company has terminated the Executive Officers' future participation in the MSP and allowed such executives to elect payout of their accrued benefits in the MSP with restricted stock grants.

Measuring Performance. The Committee evaluates the Company's achieved performance each year against the goals set in the Company's strategic goals and annual business plans. The Committee compares each Executive Officer's contribution to the Company's overall performance and compares each Executive Officer's performance against the stated goals in the strategic goals and business plan created for such Executive Officer. In order to achieve target compensation awards, the Committee must determine that strategic initiatives and internal business goals for the performance measures were attained.

For those Executive Officers who lead a line of business, the Committee considers how that line of business has performed against its internal business goals and whether such performance was affected by factors (whether positive or negative) outside the control of such Executive Officer. In addition, as part of the annual performance review for the Company's Executive Officers other than the Principal Executive Officer, the Committee considers the Principal Executive Officer's perspective on each Executive Officer's individual performance as well as on the performance of the Company's various lines of business.

Peer Group/Competitors. The Committee reviews the Company's relative performance against the five companies comprising its Peer Group. The Company's current Peer Group consists of Consolidated Tomoka Land, St. Joe, Tejon Ranch Co., Thomas Properties Group and Texas Pacific Land Group. These companies are used as the Company's Peer Group because they are similar in assets and business lines as the Company, thereby being subject to similar economic cycles. However, the comparison is not always perfect since the Peer Group companies are not comparable in all respects to Alico. Accordingly, the Committee also reviews the Company's performance against that of other comparable companies, such as public companies (regardless of industry) that are of comparable size in market capitalization, gross revenues and total number of employees.

Levels and Mix of Compensation. Each year the Committee determines a target total compensation package for each Executive Officer, made up of base salary plus the following two elements of performance-based compensation: (i) cash incentive/bonus compensation and (ii) restricted stock awards. In establishing the target total compensation package for each year, the Committee considers whether the target total compensation opportunities are internally consistent with each Executive Officer's relative scope of responsibility and accountability for overall performance. The following further describe all elements of the compensation package:

Base Salary. The Committee establishes the relative base salary levels for the Executive Officers to reflect each Executive Officer's scope of responsibility and accountability within the Company and as a part of a total compensation package in light of compensation practices at Alico's Peer Group and other comparable companies.

Annual Cash/Stock Incentives. The Committee determines the actual cash incentive and restricted stock awards for each Executive Officer following the end of the fiscal year based on the Committee's assessment of such Executive Officer's performance. The Committee expects that executive officers will be compensated for performance only, so achievement of target compensation levels is dependent on strong performance. Base salary represents approximately 67% of the total compensation package for the Company's Executive Officers. As a result, the Company's executive compensation program links a significant part of its Executive Officers' actual compensation each year to the Company's performance as determined by the Committee.

Retirement Benefits. Executive Officers participate in Alico's qualified employee benefit plan designed to provide retirement income. To encourage retirement savings under this plan, Alico provides an employer matching contribution. The Company has recently terminated the senior Executive Officers' ability to participate in the Company's nonqualified retirement plan, shifting emphasis to restricted stock awards. The Company also maintains a profit sharing plan, pursuant to which it makes annual contributions when and as approved by the Board. None of the Company's Executive Officers participate in or accrue any additional benefits under any supplemental executive retirement plans. The Committee believes that the Company's Executive Officers should be able to provide for their retirement needs from the total annual compensation they earned based on the Company's performance, particularly as compensation continues to shift towards restricted stock, thereby ensuring a complete alignment of Alico's stockholders' long-term investment with the retirement goals of the Company's executives.

For more information about these plans, see *Contingent Compensation* on page 27.

Perquisites and Other Fringe Benefits. Alico's Executive Officers receive health and welfare benefits, such as group medical and group life, under plans generally available to all other salaried employees. Consistent with a pay-for-performance mandate, Alico provides limited executive fringe benefits. Fringe benefits consist solely of life insurance, Company-provided vehicles where appropriate, and dividends on restricted stock. The Company does not own a corporate jet or helicopter, nor does it pay for country club dues or other such perquisites.

Emphasis on Long-Term Stock Ownership. The Company believes that stock ownership by its Executive Officers is the clearest, most direct way to align their interests with those of the stockholders. As a result, restricted stock awards are considered as part of each Executive Officer's total annual compensation. The Committee determines the relative mix of cash versus restricted stock awards in the total annual compensation opportunity based on the relative role and responsibility of the individual. The more opportunity the individual has to contribute to the Company's success and thereby impact its stock price, the larger the percentage that restricted stock awards will comprise of the target total annual compensation package.

The Committee has designed equity awards to encourage long-term stock ownership through the following features:

graduated vesting schedules over 5 or more years

shift to restricted stock instead of options

to the extent options are contemplated under the Company's Incentive Equity Plans, no discounted options are allowed.

How the Executive Compensation Program was applied in Fiscal 2009

Early in fiscal 2009, the Committee met with the Principal Executive Officer and the Chief Financial Officer to discuss base salary and incentive compensation for each of them and to elicit their recommendations concerning the compensation for members of executive management who directly report to them. The Committee also reviewed information available to it concerning compensation standards for comparable

positions with similarly sized Companies, based on total market capitalization, gross revenues and number of employees, and reviewed the historical compensation and performance of each such individual during the preceding fiscal year. Based on the foregoing, the Committee established a total target compensation package for each of the Executive Officers, without taking equity grants into consideration. The *target* compensation packages for each of the Named Executive Officers for 2009 was set as shown in the table below, which also reflects the actual bonus award achieved:

Named Executive Officer, Title	Base Salary	Bonus/Cash Incentive Potential	Bonus Awarded After Fiscal Year End
Steven M. Smith(1)	\$ 255,000	\$ 127,500	\$ 0
President and Principal Executive Officer			
Patrick W. Murphy	\$ 160,000	\$ 80,000	\$ 0
Senior Vice President and Chief Financial Officer			
Donald R. Schrotenboer	\$ 225,000	\$ 67,500	\$ 0
President Alico Land Development, Inc.			
Michael R. Talaga(2)	\$ 125,000	\$ 62,500	\$ 0
Senior Vice President Human Resources and IT			

- (1) Mr. Smith was promoted to President and Principal Executive Officer on November 17, 2008.
- (2) Effective September 1, 2009 Mr. Talaga's position was restructured as a non-Executive Officer position as he was named Director of HR and IT at that time, with a corresponding reduction in salary. Accordingly, Mr. Talaga does not qualify as an Executive Officer subsequent to that date and is omitted from the Summary Compensation Table on page 21.

In early fiscal 2010 the Committee reviewed the Company's performance against internal business goals and strategic initiatives for 2009. The Committee determined that the Company did not meet its performance goals primarily due to economic conditions, which resulted in poor operating results. Accordingly, no bonuses were paid.

The Committee reviewed the Company's performance relative to the Peer Group over one year, three-year and five-year time frames, as well as over the full tenure of Alico's Principal Executive Officer. In addition, the Committee reviewed the stated business plan goals and strategic initiatives of the Principal Executive Officer for fiscal 2009 against his individual performance in achieving such goals. Since the Company did not achieve its performance target, primarily as a result of the factors discussed above, the Committee determined to award no bonus during fiscal year 2009.

Use of Tally Sheets

To assist the Committee in making compensation decisions, the Committee reviews compensation tally sheets which present comprehensive data on the total compensation and benefits package for each of the Company's Executive Officers. These tally sheets include all obligations for present and projected future compensation and contain comparative historical information.

Employment Arrangements/Change in Control Arrangements and Agreements

None of the Named Executive Officers are covered by any special arrangements or agreements regarding benefits or payments upon termination. The Company also does not have any change-in-control agreements or arrangements in place for any of its current Executive Officers. In addition, there are no change-in-control provisions in any of the Company's compensation plans, employee benefit plans or restricted stock grants.

Stock Ownership Guidelines for Directors and Executive Officers

The Board of Directors encourages stock ownership by Executive Officers, but it has not adopted stock ownership guidelines for such officers. However, in 2005 the Board of Directors adopted, and the Company's

shareholders approved, a Director Stock Purchase Policy requiring that all Directors who are not beneficial owners of Atlanticblue own Company stock with a market value which is equal to or greater than \$200,000 dollars or such lesser amount as is applicable to a Phase-In Period (the Company Director Target Stock Ownership Requirement). In order to provide Directors serving on the Board as of the date of the adoption of this policy and new Directors who subsequently join the Board of Alico, Inc. the opportunity to meet this requirement over a reasonable period of time, each such Director has three years to achieve the overall Company Director Target Stock Ownership Requirement. If the Director is elected to the Board at a time when there is less than 4 months remaining in the fiscal year, then the three-year period for overall compliance with the Company Director Target Stock Ownership Requirement would be extended until the end of the next full fiscal year after his or her election. The \$200,000 target stockholding requirement which Directors are required to maintain may be calculated using the greater of market value or the price of the stock at the time the Director acquired the stock. The Company Director Target Stock Ownership Requirement will be measured at the end of the phase-in period and annually thereafter as of the end of the fiscal year.

Tax Impact on Compensation

The Committee has reviewed the Company's compensation plans with regard to the deduction limitation under the Omnibus Budget Reconciliation Act of 1993 (the Act) and the final regulations interpreting the Act that have been adopted by the Internal Revenue Service and the Department of the Treasury. Based on this review, the Compensation Committee has determined that the compensation paid to Executive Officers in fiscal year 2009 qualifies for deductibility under the regulations.

EXECUTIVE OFFICERS

The following table sets forth certain information on each Executive Officer of the Company.

Name, Age	Position and Background with the Company
Steven M. Smith LaBelle, FL	48 Principal Executive Officer (November 17, 2008 - present). Formerly Senior Vice President of Agricultural Operations (2006-2008). Previously, Mr. Smith was the Vice President of the Company's citrus division and has worked at the Company since 1994. Mr. Smith served as the General Manager of Gulf Coast Citrus Caretaking prior to joining Alico.
Patrick W. Murphy La Belle, Florida	46 Chief Financial Officer (since April 15, 2005) and Senior Vice President. Previously, Mr. Murphy was the Company's controller (2002-2005). Mr. Murphy worked for A. Duda and Sons, Inc. as the citrus division controller (1999-2002). Previously, he worked in Alico's accounting department, which he initially joined in 1992.
Donald R. Schrotenboer LaBelle, Florida	47 President Alico Land Development, Inc. a wholly owned subsidiary of Alico, Inc. (since September 30, 2008). Previously, Mr. Schrotenboer was Vice President and Principal at Gilkey Organization of Bonita Springs, FL.

EXECUTIVE AND DIRECTOR COMPENSATION

The following table provides information concerning the compensation of the Company's Principal Executive Officer, Chief Financial Officer, and the President of Alico Land Development, Inc. a subsidiary of Alico, Inc., which represent the three most highly compensated Executive Officers (the Named Executive Officers) for the fiscal year ended September 30, 2009. For a complete understanding of the table, please read the narrative disclosures that follow the table.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Salary	Bonus(1)	Restricted Stock Awards (2)	Option Awards (F)	Non-equity incentive plan compensation (G)	Change in pension value and non-qualified deferred compensation earnings (H)	All Other Compensation (3)	Total (J)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
John R. Alexander Chairman(4)	2009	0	0	0	0	0	0	0	0
	2008	239,400	0	453,000	0	0	0	28,667	721,067
	2007	315,000	236,250	516,667	0	0	0	44,801	1,112,718
Dan L. Gunter President and Chief Operating Officer(6)	2009	46,153(5)	0	0	0	0	0	13,206	59,359
	2008	284,688(7)	0	(237,119)	0	0	0	41,081	88,650
	2007	275,000	123,750	172,450	0	0	0	42,584	613,784
Steven M. Smith President and Principal Executive Officer(8)	2009	242,344	0	47,950	0	0	0	14,405	304,699
	2008	152,813(7)	25,753	73,008	0	0	0	15,096	266,670
	2007	144,167	71,250	0	0	0	14,776	15,513	245,706
Patrick W. Murphy Sr. Vice President and Chief Financial Officer	2009	158,438	0	42,988	0	0	0	9,928	211,354
	2008	152,813(7)	33,825	65,408	0	0	0	13,506	265,552
	2007	143,333	71,250	0	0	0	12,236	13,405	240,224
Donald R. Schrottenboer President Alico Land Development, Inc.(9)	2009	225,000	0	0	0	0	0	18,613	243,613
	2008	0	25,000	0	0	0	0	0	25,000

- (1) Represents compensation for discretionary cash bonuses which are based on individual and Company performance. Mr. Alexander elected to receive his fiscal 2007 bonus in shares of Company stock. Mr. Gunter elected to receive \$22,065 of his fiscal 2007 bonus in Company stock.
- (2) Represents the value of stock awards vested in accordance with the recognition provisions as outlined in SFAS 123R. These awards were granted in 2006; Mr. Alexander's award was to vest over a five year period which began in August 2006, while Mr. Gunter's award was to vest over a seven-year period, beginning in April 2006. Mr. Alexander's stock vested at his retirement on June 30, 2008 and Mr. Gunter's stock grant terminated upon his resignation on November 27, 2008.
- (3) Represents Company contributions to the Employees' Profit Sharing Plan, a qualified defined contribution retirement plan, Company provided vehicles, 401(K) matching contributions, life insurance benefits in excess of \$50,000, and dividends on restricted stock.
- (4) Mr. Alexander commenced his term as Chairman in February 2004 and continues to serve on the Board of Directors as Chairman.
- (5) Includes amounts received as Chief Executive Officer for serving during this fiscal year.
- (6) Mr. Gunter resigned his position with the Company in November 2008.
- (7) The figures reflected for 2008 do not include salary paid to the Named Executive Officers during the transition month of September, 2007, which are as follows: \$26,250 to Mr. Alexander, \$22,917 to Mr. Gunter, \$12,500 to Mr. Murphy, and \$12,500 to Mr. Smith.
- (8) Mr. Smith was promoted to President and Principal Executive Officer in November 2008. During the fiscal year ended September 30, 2008, Mr. Smith held the position of Senior Vice President of Agricultural Operations.
- (9) Mr. Schrottenboer was hired on September 30, 2008 as President of Alico Land Development, Inc.

Salary (Column C)

The amounts reported in column C represent base salaries paid to each of the Named Executive Officers for each of the last three completed fiscal years, as indicated.

Bonuses (Column D)

The amounts reported in column D represent bonuses paid to each of the Named Executive Officers for the attainment of incentive goals for the last three completed fiscal years, as indicated.

Stock Awards (Column E)

The amounts reported in column E represent the dollar amount of restricted stock share award units (RSU) recognized, or expensed, for each of the Named Executive Officers as compensation costs for financial reporting

purposes in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (FAS 123R) for last three completed fiscal years. The table below summarizes the Company's restricted share awards to date to any of the Named Executive Officers:

(Dollar amounts in thousands)

Name of Executive	Grant Date	Shares Granted (#)	Fair Market Value on Date of Grant	Compensation Expense Recognized in 2009	Compensation Expense Recognized in 2008	Compensation Expense Recognized in 2007	Weighted Average Grant Date Fair Value Per share
Dan L. Gunter	April 2006	20,000	\$ 908	\$ 0	\$ (237)	\$ 172	\$ 45.40
John R. Alexander	October 2006	20,000	1,239	0	453	517	\$ 62.00
Patrick W. Murphy	January 2008	6,800	277	69	65		\$ 40.67
Steven M. Smith	January 2008	8,817	359	77	73		\$ 40.67
Donald R. Schrotenboer	September 2009	7,500	331	96	0		\$ 44.12
Total		63,117	\$ 3,118	\$ 242	\$ 354	\$ 689	\$ 49.34

The shares granted to Mr. Gunter in April 2006 were forfeited upon his resignation effective November 17, 2008. 4,000 of the shares granted to Mr. Alexander in October 2006 related to past service and were immediately vested and an additional 4,000 shares vested September 30, 2007; the remaining shares under the October 2006 grant vested June 30, 2008, upon Mr. Alexander's retirement as CEO.

A grant of 8,818 restricted shares was made to Mr. Smith and a grant of 6,800 restricted shares was made to Mr. Murphy in January 2008 with a fair value of \$40.67 per share, in order to replace previous retirement benefits offered. 2,921 of the shares granted to Mr. Smith and 1,517 of the shares granted to Mr. Murphy in January 2008 related to previously vested retirement benefits and vested immediately. An additional 1,179 of Mr. Smith's and 1,057 of Mr. Murphy's shares vested in January 2009. The remaining 8,943 shares granted in January 2008 vest 25% annually in January of each year until fully vested. A Grant was made to Mr. Schrotenboer in September 2008 with a fair value of \$44.12 per share. These shares will vest 20% annually in September of each year until fully vested beginning September 29, 2010.

Following the guidelines established in FAS 123R, Alico is recognizing compensation cost equal to the fair market value of the stock at the grant dates prorated over the vesting period of each award. The fair market value of the unvested restricted stock awards at September 30, 2009 was \$483,260 and will be recognized over a weighted average period of 3 years.

Option Awards (Column F)

Column F represents the dollar amount of stock option awards recognized for each of the Named Executive Officers as compensation costs for financial reporting purposes (excluding forfeiture assumptions) in accordance with FAS 123R. No such awards were granted (or recognized for financial reporting purposes) during the last three completed fiscal years.

Non-Equity Incentive Plan Compensation (Column G)

The Company has not granted any non-equity awards pursuant to its incentive plans.

Change in Pension Value and Non-Qualified Deferred Compensation Earnings (Column H)

The amounts representing change in pension value reported in column H are generated by the combination of increases in the accrued pension benefit and the change in conversion of that benefit to a present value. Since

there were no grants of non-equity awards pursuant to Company's incentive plan in fiscal 2008, and since the Company terminated the senior officers' participation in the MSP and they were paid out in cash, the change in pension value and non-qualified deferred compensation earnings was not calculated for 2008 as it is no longer applicable.

All Other Compensation (Column I)

The amounts reported in column I represent the aggregate dollar amount for each Named Executive Officer for perquisites and other personal benefits, including Company contributions to the Company's 401(k) retirement plans, insurance premiums for life insurance policies in excess of \$50,000 face value, and the value of dividends on restricted stock paid during fiscal 2009 on vested and unvested units of restricted stock granted. The following table shows and explains the specific amounts included in column I of the Summary Compensation Table for fiscal 2009. Under SEC Rules, the Company is required to identify by type all perquisites and other personal benefits for a Named Executive Officer if the total value for that individual equals or exceeds \$10,000, and to report and quantify each perquisite or personal benefit that exceeds the greater of \$25,000 or 10% of the total amount for that individual. For purposes of uniformity, all information regarding perquisites has been provided for each Named Executive Officers, not just those meeting the \$10,000 threshold.

Name	Perquisites and Other Personal Benefits	Tax Reimbursements	Registrant Contributions to Defined Contribution Plans	Insurance Premiums	Value of Restricted Stock Dividends Earned During the Fiscal Year	Total
	(1) (\$)	(\$)	(\$)	(2) (\$)	(3) (\$)	(\$)
Patrick W. Murphy	0	0	3,845	473	5,610	9,928
Steven M. Smith	2,036	0	4,600	494	7,275	14,405
Donald R. Schrotenboer	9,750	0	4,558	180	4,125	18,613

- (1) Perquisites and other personal benefits are valued on the basis of the aggregate incremental cost to the Company. The Company calculates the aggregate incremental cost to the Company for Company cars for commuting and other personal transportation on the fair lease value of the vehicle in accordance with tables published annually by the IRS. Executives are taxed on the imputed income attributable to personal use of Company vehicles for the personal use of such, including commuting mileage, and do not receive tax assistance from the Company with respect to these amounts.
- (2) Represents premiums paid on life insurance policies with a face value of \$50,000 or more for each of the Named Executives.
- (3) Dividends on shares of restricted stock are paid to participants during the fiscal year on vested and unvested shares whenever dividends are paid to the Company's common stockholders.

Total Compensation (Column J)

The amounts reported in column J are the sum of columns C through I for each of the Named Executive Officers. All compensation amounts reported in column J include amounts paid and amounts deferred.

GRANTS OF PLAN-BASED AWARDS

The only shares issued under the Company's Incentive Equity Plan during the last completed fiscal year are shares of restricted stock issued to certain Named Executive Officers who elected to receive shares as partial payment of their payout of the Company's Management Security Plan (MSP) in connection with the Company's termination of such Officers' participation in the MSP.

GRANTS OF PLAN-BASED AWARDS(1)

Name	Grant Date(2)	Stock Awards: Number of Shares (#)	Purchase Price/Cash Bonus Amount Foregone (\$)	Grant Date Fair Value of Stock (\$)
Patrick W. Murphy	1/23/08	6,800	\$ 276,556	\$ 276,556
Steven M. Smith	1/23/08	8,817	358,628	358,628
Donald R. Schrotenboer	9/30/08	7,500	330,900	330,900

(1) The Estimated Future Payouts columns have been omitted as they are not applicable.

(2) This is also the date of issuance of the shares.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table reflects information concerning the unvested shares of restricted stock issued in connection with the payout to certain Named Executive Officers under the MSP (as discussed above under Grants of Plan-Based Awards).

Name	Grant Date (E)	Stock Awards Number of Shares of Stock that Have Not Vested (#) (F)(2)	Market Value of Shares of Stock that Have Not Vested (#) (G)(3)
(A)(1)			
Patrick W. Murphy	1/23/08	4,226	124,202
Steven M. Smith	1/23/08	4,718	138,662
Donald R. Schrotenborer	9/29/08	7,500	220,425

(1) Columns B through D have been omitted because there are no outstanding options.

(2) These shares vest at the rate of 20% on each anniversary of the grant date until they are all fully vested.

(3) Column G sets forth the market value of unvested restricted stock shares calculated using the closing price of the Company's common stock on the Nasdaq as of the end of September 30, 2009, \$29.39 per share.

OPTION EXERCISES AND STOCK VESTED

The following table provides information concerning the vesting of restricted stock awards during fiscal 2009 for each of the Named Executive Officers holding unvested shares of restricted stock issued as Stock Awards. No options were exercised during fiscal 2009 by any of the Named Executive Officers.

Name	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Patrick W. Murphy	1,057	\$ 42,988
Steven M. Smith	1,179	47,950
Donald R. Schrotenboer	0	0

NON-QUALIFIED DEFERRED COMPENSATION

The Company does not maintain any deferred compensation plans. Accordingly, the required tables relating to such types of plan compensation have been omitted.

DIRECTOR COMPENSATION

The following table provides information concerning the compensation of the Company's Non-Employee Directors for 2009. Directors who are employees of the Company receive no compensation for their services as Directors or as members of Board committees. There were no stock options outstanding for any Non-Employee Director as of September 30, 2009, nor are there any as of the date of this Proxy Statement, and Non-Employee Directors do not participate in the Company's pension benefit plan nor in any of the Company's defined contribution plans. Accordingly, the columns for such information have been omitted from the table below. For a complete understanding of the table, please read the footnotes and the narrative disclosures that follow the table.

Name	Fees Earned or Paid in		Stock Awards(2)	All Other Compensation	Total(\$)
	Cash(1)	(\$)			
John R. Alexander(3)	\$	0	\$ -0-	\$ 237,500	\$ 237,500
JD Alexander(4)(6)(7)(8)		-0-	63,750	-0-	63,750
Robert E. Lee Caswell		39,000	-0-	-0-	39,000
Evelyn D. Anderson(5)(6)(11)		-0-	101,402	-0-	101,402
Phillip S. Dingle(9)(11)		-0-	42,348	-0-	42,348
Gregory T. Mutz(9)		-0-	46,619	-0-	46,619
Charles L. Palmer(4)(5)(6)(7)(11)		-0-	121,500	-0-	121,500
Ramon A. Rodriguez(5)(8)		-0-	19,750	-0-	19,750
John D. Rood(4)(5)(8)		-0-	19,750	-0-	19,750
Dean Saunders(10)		-0-	39,500	-0-	39,500
Robert J. Viguet, Jr.(7)		-0-	66,000	-0-	66,000
Gordon Walker, PhD(4)(5)(6)(8)		-0-	77,250	-0-	77,250

- (1) All figures represent the dollar amount of cash paid for Directors' annual fees and meeting attendance.
- (2) Figures represent the value of stock received in lieu of cash fees pursuant to each Director's option under the Directors' Stock Compensation Plan, as recognized for financial statement reporting purposes with respect to fiscal year 2009, which for all grants was equal to the grant date fair value, computed in accordance with FAS 123R. Non-Employee Directors are granted shares of restricted Common Stock on a quarterly basis each year. The restricted shares become freely transferable on the third anniversary of the grant date.
- (3) Figures represent fees paid to Mr. Alexander based on a consulting agreement with the Company. Mr. Alexander received no separate compensation under the Directors' Compensation Program.
- (4) Member, Nominating & Governance Committee
- (5) Member, Audit Committee
- (6) Committee Chairman
- (7) Member, Compensation Committee
- (8) Member, Executive committee
- (9) Figures represent compensation received for service on October 1, 2008 through February 20, 2009 when Mr. Dingle and Mr. Mutz did not stand for re-election to the Board. Mr. Dingle was Chairman of the Audit Committee and Mr. Mutz was Lead Director, a member of the Audit Committee, Nominating and Governance Committee and the Compensation Committee.
- (10) Mr. Saunders served on the Audit Committee from February 20, 2009 through August 7, 2009.
- (11) Member, Special Committee

Director Fees and Equity Compensation

Each Non-Employee Director (a Qualifying Director) receives an annual fee of \$32,000 for his or her services as a Director of the Company, payable in quarterly installments. In addition, each Qualifying Director who chaired any Committee was paid additional annual compensation of \$5,000 payable in quarterly installments, provided that if one Qualifying Director chairs more than one committee, only one such payment shall be made. The Chairman of the Audit Committee was also paid additional annual compensation of \$10,000 payable in quarterly installments. In addition to being reimbursed for all out-of-pocket expenses reasonably incurred by a Qualifying Director in connection with the performance of his or her duties, each Qualifying Director attending a called Board committee meeting in person shall be paid a committee attendance payment of \$1,000 for such meeting and each Qualifying Director attending a called Board committee meeting telephonically, by video remote conferencing or by some other remote communications means shall be paid a committee attendance payment of \$500 for each such meeting. The maximum payment for all such committee meetings attended by a Qualifying Director on the same date is \$1,000 if attending in person and \$500 if attending by telephone, video conference or other remote communications means. The Board at its meeting on February 20, 2009 limited the number of meetings for which compensation will be paid as follows: Annual Retainer of \$32,000 per director, payable in quarterly installments. Four Quarterly in-person Board Meetings at \$1,000 per meeting. Four Quarterly Audit Committee Meetings at \$1,000 if in person or \$500 if telephonic. Two Compensation Committee Meetings at \$1,000 if in person or \$500 if telephonic. Two Nominating and Corporate Governance Meetings at \$1,000 if in person or \$500 if telephonic.

The Company maintains a Directors Compensation Plan to encourage stock ownership by the Company's directors. Under the Plan, Directors are eligible to receive Director's fees payable in Company Stock. Each such Director may elect to receive all of his or her Director's compensation payable in any fiscal year in the form of the common stock of the Company by delivering to the Company an election prior to the beginning of the Company's fiscal year for which the election is to apply, provided that when the Director is first elected to the Company's Board, such election can be made at any time within 45 days of his or her election to the Company's Board (or 45 days after the adoption by the Board of the Compensation Plan) and approval of the stock issuances hereunder by the shareholders. Once an election is received it is irrevocable for the fiscal year to which it applies, and all of the electing Director's compensation for that fiscal year is paid in the form of Company Stock. If a Director makes the election to be paid in Company stock, the compensation to such Director is increased to 150% of the specified payment amount, provided that such increase only applies to a Director who makes such an election for the year for which the election is made. Unless a Director specifically elects to be paid in Company Stock, payment of Director's fees is made by check; payments in Company Stock pursuant to a valid election under the Plan are made by delivery by the transfer agent of a certificate made out in the name of the electing Director for the number of shares of Company Stock determined by dividing (i) the total amount of Director compensation payable since the last Payment Date by (ii) the per share price of the Company Stock as of the close of regular trading on the second trading day preceding the Payment Date (the Stock Price Determination Date). Payments for Director's compensation are made on the date(s) of the regularly scheduled quarterly or annual Board meeting of the Company, provided that if there is no regularly scheduled quarterly or annual Board meeting for any quarter, the payment is made on the last business day of the quarter (a Payment Date).

The per share price on the Stock Price Determination Date is the mean between the closing bid and ask price per share of the Company Stock as reported by the Nasdaq Stock Market (or such other national trading market on which the Company Stock is principally traded) as of the close of regular trading on the Stock Price Determination Date. The Company has committed to use its best efforts to deliver shares which are registered under the Securities Act of 1933 and under applicable state securities laws and are without any restrictive legend or other restriction on resale, except as may be reported in the Company's proxy statement as a result of the Company's Director Stock Ownership Policies. The Company issues such shares from the Company's authorized but unissued shares, from shares purchased in the open market by the Company in contemplation of such payments, or from shares otherwise held by the Company to fund such payments. All payments in shares issued to Directors or employees during fiscal year 2009 were issued from treasury shares held by the Company and

purchased for such funding in accordance with the stock repurchase plan approved by the Company's Board of Directors. If for any reason the Company cannot deliver shares which have been registered for sale under the Securities Act of 1933 and under applicable state securities laws, the certificates evidencing such shares will contain a legend restricting sale of such securities.

A Director electing to receive his or her Director's compensation in shares of the Company Stock is responsible for the payment of all federal, state and local income and other taxes resulting from the issuance of Company Stock pursuant to the Director Compensation Plan.

Additional Arrangements

The Company pays for or provides (or reimburses Directors for out-of-pocket costs incurred for) transportation, hotel, food and other incidental expenses related to attending Board and committee meetings or participating in director education programs and other director orientation or educational meetings.

Common Stock Performance

A graph of the Company's common stock performance, comparing the value of \$100 invested on September 1, 2005 in the Company's common stock, the S&P 500 and a Company-constructed peer group, is provided in the Company's Annual Report to Shareholders that is included with the mailing of this Proxy Statement (the Annual Report). Please refer to the Annual Report for this information.

CONTINGENT COMPENSATION

1998 Incentive Equity Plan

The Company maintained an incentive equity plan (the Incentive Equity Plan) pursuant to which Board members and employees selected by the Board of Directors could receive options to purchase Company common stock, awards of restricted stock, and stock appreciation rights (SARs). The purpose of the Incentive Equity Plan was to advance the interests of the Company and its shareholders by offering participants an opportunity to acquire or increase their proprietary interests in the Company, and thereby receiving additional incentives to achieve the Company's objectives. The plan expired in November 2008.

No stock options, SARs or restricted stock were granted under the Incentive Equity Plan on or after the tenth anniversary of the Incentive Equity Plan's effective date which was November 3, 2008. The Incentive Equity Plan was administered by the Board of Directors. All payments in shares issued to Directors or employees during fiscal year 2009 were issued from treasury shares held by the Company and purchased for such purpose in accordance with the stock repurchase plan approved by the Company's Board of Directors.

2008 Incentive Equity Plan

Effective November 30, 2008, the Board of Directors adopted the Alico, Inc. 2008 Incentive Equity Plan (the 2008 Incentive Plan) which was approved by the shareholders on February 20, 2009. The 2008 Incentive Plan is intended to provide participants with an opportunity to increase their stock ownership in the Company and to give them an additional incentive to achieve the Company's objectives. Like the 1998 Incentive Equity Plan, the 2008 Incentive Plan allows officers, Board members and other key employees of the Company and its subsidiaries and affiliates who are responsible for the management, growth and/or profitability of the business of the Company and/or its subsidiaries and affiliates to be eligible to receive stock option grants, stock appreciation rights (SARs) and/or restricted stock awards. Under the terms of the 2008 Incentive Plan, up to 350,000 shares of the Company's issued and outstanding Common Stock may be purchased by the Company and reserved for awards under the 2008 Incentive Plan.

Stock Options. The 2008 Incentive Plan provides that options, stock appreciation rights or restricted stock may be granted only to those individuals, Board members and employees whose participation the Board or its designated committee determines is in the best interest of the Company. The Company receives no consideration upon the granting of an option. The options may be granted either as incentive stock options (which qualify for certain favorable tax consequences for the offering, as discussed below), or as non-qualified stock options, but no options may be granted after five (5) years after the date the 2008 Incentive Plan was adopted by the Board. No options have been granted under the plan.

Stock Appreciation Rights. The Board or its designated committee may also grant non-transferable SARs in conjunction with options, entitling the holder upon exercise to receive an amount in cash and/or Common Stock (as determined by the Board or its designated committee) equal in value to the increase since the date of grant in the fair market value of the Common Stock covered by such right. Each SAR will terminate upon the termination or exercise of the related option. No SARs have been granted under the plan.

Restricted Stock. The Board or its designated committee may also award restricted stock subject to certain conditions set forth in the 2008 Incentive Plan and such other conditions and restrictions as the Board or its designated committee may determine which may include the attainment of performance goals and the payment of a purchase price which may be equal to or less than par value (and may be zero). The Company has not in the past issued Restricted Stock based on performance goals which would trigger non-deductibility of payments under Section 162(m) of the Internal Revenue Code and does not intend to do so in the future. If the Company desires in the future to issue performance based compensation which otherwise would not qualify for deduction under Section 162(m) without stockholder approval of the performance criteria, the Company will amend the 2008 Incentive Plan and seek shareholder approval in accordance with applicable regulations under Section 162(m).

Profit Sharing and Pension Plan

The Company operates a Profit Sharing Plan under Section 501(c)(3) and a Pension Plan under Section 401(k) of the Internal Revenue Code (collectively, the Plan). Under the Plan a regular employee of the Company becomes eligible to participate upon employment provided he or she continues such employment through the following September 30. Vesting of the Plan begins after two (2) years of service with the Company at which time an employee becomes 20% vested. Vesting increases by 20% with each additional year of service. Employees become fully vested upon completion of six (6) years of service.

The Profit Sharing Plan is fully funded by contributions from the Company. Contributions by the Company are determined by the Board of Directors with allocations to employee accounts based on each participant's compensation. The Pension Plan also includes a voluntary employee contribution provision pursuant to Section 401(k) of the Internal Revenue Code, which allows employees to contribute up to 20% of their salary, or a maximum of \$15,500. The Company may also make contributions to the Pension Plan as determined by the Board of Directors. All 401(k) accounts are 100% vested.

Employees will be deemed 100% vested and receive full benefits from the Plan, regardless of their standing on vesting schedules, upon retirement on or after age 65, death or permanent disability. Benefits commence within 60 days after request following one of the qualifying events, referred to above, and can be taken as periodic payments or in a lump sum. For the year ended September 30, 2009, the Company contributed a total of \$94,611 to this Plan.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Atlanticblue Group, Inc.

Atlanticblue (formerly Atlantic Blue Trust, Inc.) holds approximately 51% of Alico's common stock. By virtue of their ownership percentage, Atlanticblue is able to elect all the directors and, consequently, to control Alico. Atlanticblue has issued a letter dated December 3, 2009 reaffirming its commitment to maintaining a majority of independent directors on Alico's board. John R. Alexander, a major shareholder in Atlanticblue, served as Alico's Chief Executive Officer from February 2005 through June 2008.

John R. Alexander continues to serve on the Company's Board of Directors as Chairman. Mr. Alexander's son, JD Alexander, serves as President and Chief Executive Officer of Atlanticblue and serves on Alico's Board of Directors as its Vice-Chairman. Robert E. Lee Caswell, Mr. Alexander's son-in-law also serves on the Alico Board of Directors, as does Robert J. Viguet, Jr., who is also a Director of Atlanticblue (the Affiliated Directors).

Alico's directors who have no affiliation with Atlanticblue are Evelyn D. An, Charles L. Palmer, Ramon Rodriguez, John D. Rood and Gordon Walker (the Unaffiliated Directors).

The transactions listed below have all been approved by Alico's Board of Directors and a majority of the Unaffiliated Directors.

As Directors of Alico, the Affiliated Directors receive compensation for their services (with the exception of John R. Alexander) and reimbursement of travel expenses in accordance with the general policies of the Company the same as Unaffiliated directors. Director compensation policies are disclosed in Alico's annual proxy.

Bowen is currently marketing citrus fruit from Tri County Groves, a wholly owned subsidiary of Atlanticblue. During the fiscal year ended September 30, 2009, Bowen marketed 236,971 boxes of fruit at a gross value of \$2.0 million. During fiscal year ended September 30, 2008, Bowen marketed 310,000 boxes of fruit at a gross value of \$2.9 million.

The Company's Chairman of the Board of Directors, John R. Alexander, was a member of the Board of Directors of the Company's primary lender, Farm Credit of Southwest Florida from 1992 to April 2009. Mr. Alexander recused himself from all discussions and votes involving Alico, Inc.

On January 18, 2008 the Company's Board of Directors approved an unaccountable expense allowance of \$5,000 per month beginning July 1, 2008 to Scenic Highlands Enterprises LLC. The Company's former Chief Executive Officer and current Chairman of the Board, John R. Alexander, serves as the owner and Chief Executive Officer of Scenic Highlands Enterprises. Per the Board's Action by Written Consent, payments are to be used for office space, an administrative assistant and utilities to support the activities of the Chairman. Alico paid \$60 thousand and \$30 thousand during the fiscal years ended September 30, 2009 and September 30, 2008, respectively, pursuant to this agreement. Alico is also providing computer and telephone support services to Scenic Highlands Enterprises at no charge.

Effective June 30, 2008 the Board approved a transition, consulting, severance and non-compete agreement with John R. Alexander providing for total payments of \$600,000 over a three year period. Alico paid \$238 thousand and \$62 thousand to Mr. Alexander during the fiscal years ended September 30, 2009 and September 30, 2008, respectively, pursuant to this agreement.

On August 1, 2008 the Board approved a consulting contract with Atlanticblue which provided for Atlanticblue to provide real estate consulting services to Alico's subsidiary ALDI in the area of public and government relations in Polk County. The agreement expired on September 30, 2009. Atlanticblue received total compensation of \$5 thousand during the year ended September 30, 2009 under this agreement. No payments were made to Atlanticblue under this agreement during the fiscal year ended September 30, 2008.

Former director Baxter Troutman has filed a shareholder derivative suit against John R. Alexander and JD Alexander. The Company is reimbursing Messrs. Alexander for legal fees to defend the suit in accordance with the Board's indemnification agreement. All reimbursements are being approved by the Special Committee of the Board comprised of independent directors. Reimbursements pursuant to the litigation were \$38 thousand on behalf of John R. Alexander and \$121 thousand on behalf of JD Alexander during the year ended September 30, 2009.

Ben Hill Griffin, Inc.

Citrus revenues of \$357 thousand, \$2.0 million and \$14.7 million were recognized for a portion of citrus crops sold under a marketing agreement with Ben Hill Griffin, Inc. (Griffin) for the years ended September 30, 2009, September 30, 2008, and August 31, 2007, respectively. For the one month transition period ended September 30, 2007, Alico recognized \$53 thousand of citrus revenue from Griffin. Griffin and its subsidiaries are controlled by Ben Hill Griffin, III, the brother-in-law of John R. Alexander, Alico's Chairman and former Chief Executive Officer. Accounts receivable, resulting from citrus sales, include amounts due from Griffin of \$50 thousand and \$153 thousand at September 30, 2009 and September 30, 2008, respectively. These amounts represent estimated revenues to be received periodically under pooling agreements as the sale of pooled products is completed.

Harvesting, marketing, and processing costs, for fruit sold through Griffin, totaled \$153 thousand, \$623 thousand, and \$2.7 million for the fiscal years ended September 30, 2009, September 30, 2008, and August 31, 2007, respectively. Griffin did not provide any harvesting, marketing or processing services to Alico during the one month transition period ended September 30, 2007. The accompanying consolidated balance sheets include accounts payable to Griffin for citrus production, harvesting and processing costs totaling \$21 thousand and \$28 thousand at September 30, 2009 and September 30, 2008, respectively.

Alico purchased fertilizer and other miscellaneous supplies, services, and operating equipment from Griffin, on a competitive bid basis, for use in its cattle, sugarcane, sod and citrus operations. Such purchases totaled \$1.8 million, \$2.3 million, and \$2.0 million during the fiscal years ended September 30, 2009, September 30, 2008, and August 31, 2007, respectively. Such purchases totaled \$22 thousand during the one month transition period ended September 30, 2007.

Other

Mr. Charles Palmer, an independent Board Member, and Mr. Steve Smith, the Company's President and Principal Executive Officer held recreational leases with the Company during the fiscal year ended September 30, 2009 at the customary terms and rates the Company extends to third parties.

During the year ended September 30, 2009, Bowen Brothers marketed 2,928 boxes of fruit from Alexander Properties, Inc., of which John R. Alexander is the President and Chief Executive Officer, at a total gross value of \$19 thousand.

AUDIT COMMITTEE REPORT

The Audit Committee that had primary responsibility for interacting with the Company's outside auditors during the preparation of the audited financial statements for the fiscal year ended September 30, 2009 (the audited financial statements) consisted of the following independent directors, Evelyn D. An, Charles L. Palmer, Ramon A. Rodriguez, John D. Rood and Dr. Gordon Walker.

Evelyn D. An was the designated financial expert for the Committee and was qualified to act in such capacity. The current Committee prepared the following report on its activities with respect to the Company's audited financial statements for the fiscal year ended September 30, 2009 (the audited financial statements):

The Committee has reviewed and discussed the audited financial statements with management of the Company.

The Committee has discussed with McGladrey and Pullen, the Company's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61.

The Committee has received the written disclosures and the letter from the independent accountants required by Independence Standards Board No. 1, as adopted by the Public Company Accounting Oversight Board in Rule 3600T and has discussed with McGladrey and Pullen their independence.

Based on and relying on the review and discussions described above, the Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2009, for filing with the U.S. Securities and Exchange Commission.

AUDIT COMMITTEE FOR FISCAL YEAR ENDED SEPTEMBER 30, 2009

Evelyn D. An, Chairman

Charles L. Palmer

Ramon A. Rodriguez

John D. Rood

Dr. Gordon Walker

INDEPENDENT REGISTERED CERTIFIED PUBLIC ACCOUNTANTS

McGladrey & Pullen LLP was appointed as the Company's independent registered certified public accounting firm effective June 11, 2007. In addition to performing the year-end audit of the financial statements, the independent public accountant: (1) performs a limited review of the quarterly financial statements, reviews the financial information included in the Annual Report to Shareholders and the Forms 10-Q and 10-K filed with the Securities and Exchange Commission; and (2) prepares the federal and state income tax returns. All services performed by the independent accountants are approved by the Audit Committee of the Board of Directors prior to performance.

Representatives of McGladrey & Pullen, LLP are expected to be present at the Annual Meeting of Shareholders and will be given an opportunity to make a statement if they so desire and will be available to respond to appropriate questions from shareholders. Upon the Audit Committee's recommendation, the Board of Directors reaffirmed continuation of McGladrey & Pullen, LLP as auditors for fiscal year 2010, subject to ratification by the Company's shareholders.

The following list details the aggregate fees billed for professional services and expenses by the Company's Independent Registered Certified Public Accounting firm during fiscal year 2009:

	McGladrey & Pullen, L.L.P.
Audit Fees	\$ 369,637
Audit Related Fees	67,298
Tax Fees	146,750
All Other Fees	5,000
Total	\$ 588,685

There were no fees billed or paid for financial information systems design and/or implementation or for any other fee for services rendered to the Company.

Audit Fees. Consists of fees billed for professional services and expenses rendered for the audit of the Company's consolidated financial statements, assessment of the Company's system of internal controls, and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided in connection with statutory and regulatory filings or engagements. The amounts billed to the Company by its independent public accountants in fiscal 2009 and fiscal 2008 were approximately \$369,637 and \$434,356, respectively.

Audit-Related Fees. Consists of fees billed for assurance and related services that were related to the performance of the audit or review of the Company's consolidated financial statements. The amounts billed to the Company by its independent public accountants in fiscal year 2009 for Audit-Related Fees was \$67,298 and \$61,523 for fiscal year 2008.

Tax Fees. Consists of fees billed for professional services rendered for tax compliance, tax advice and tax planning. The amounts billed to the Company by its independent public accountants in fiscal year 2009 and fiscal year 2008 were \$146,750 and \$143,060, respectively.

All Other Fees. Includes attendance at meetings and advice rendered regarding contemplated actions. These fees totaled \$5,000 in fiscal year 2009. There were no fees billed or paid in fiscal 2009 or fiscal 2008 by its independent registered certified public accountants in connection with products and services other than the services reported above.

The Audit Committee of the Board of Directors has determined that the provision of the non-audit professional services is compatible with maintaining McGladrey & Pullen's independence.

DIRECTOR STOCK OWNERSHIP POLICY

In March of 2005, the Company's Board of Directors adopted a Director Stock Purchase Policy requiring that all directors who are not beneficial owners of Atlanticblue own Company stock with a market value at all times (other than during the phase-in period specified below) which is equal to or greater than \$200,000 dollars (the Company Director Target Stock Ownership Requirement). The Company Director Target Stock Ownership Requirement was approved by the Company's shareholders at the annual meeting held on June 10, 2005. In order to provide existing Directors as of the date of the adoption of this policy and new Directors who join the Board of Alico, Inc. after the date of the adoption of this policy the opportunity to meet this requirement over a reasonable period of time, each such Director shall have three years to achieve the overall Company Director Target Stock Ownership Requirement. If the Director is elected to the Board at a time when there is less than 4 months remaining in the fiscal year, then the three-year period for overall compliance with the Company Director Target Stock Ownership Requirement would be extended until the end of the next full fiscal year after his or her election. This policy was amended by the Board on October 31, 2008 to provide that the Company Director Target Stock Ownership Requirement be calculated using the greater of market value or the price of the stock at the time the Director acquired the stock, measured as of the end of each fiscal year after the phase-in period.

PROPOSAL TWO

RATIFICATION OF THE APPOINTMENT OF THE

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

(Item 2 on the Proxy Card)

Subject to shareholder ratification, the Audit Committee of the Board of Directors of the Company has appointed the firm of McGladrey & Pullen, L.L.P. (McGladrey), certified public accountants, as the independent registered public accounting firm to make an examination of the consolidated financial statements of the Company for its fiscal year ending September 30, 2010. McGladrey served as the independent registered public accounting firm of the Company for the fiscal year ended September 30, 2009. A representative of McGladrey will be present at the Annual Meeting with an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

The Board of Directors, at the request of the Audit Committee, is recommending the ratification of the appointment of McGladrey as Alico's independent registered public accounting firm for the fiscal year 2010.

The affirmative vote of a majority in voting power of the votes cast on the proposal is required for approval of this proposal. Abstentions and broker non-votes are not counted as votes cast, and therefore do not affect the outcome of the proposal.

If the appointment is not ratified by a majority of the votes cast, the adverse vote will be considered as an indication to the Audit Committee that it should consider selecting another independent registered public accounting firm for the following fiscal year. Given the difficulty and expense of making any substitution of independent registered public accounting firms after the beginning of the current fiscal year, it is contemplated that the appointment for the fiscal year 2010 will stand unless the Audit Committee finds other good reason to make a change. Please refer to the discussion under the caption **INDEPENDENT CERTIFIED REGISTERED PUBLIC ACCOUNTANTS** on page 31 of this proxy statement for a detailed description of the Company's history with McGladrey and the services provided to Alico, including the amounts paid to McGladrey during the fiscal year ended September 30, 2009 for audit and tax fees.

The Board of Directors recommends that the shareholders vote FOR the ratification of the appointment of McGladrey as the independent registered public accounting firm of the Company.

OTHER BUSINESS

The Board of Directors is aware of no other matter that will be presented for action at the meeting. If any other matter requiring a vote of the shareholders properly comes before the meeting, the persons authorized under management proxies will vote and act according to their best judgment.

SHAREHOLDERS PROPOSALS

Shareholders' proposals intended to be presented at the next annual meeting should be sent by certified mail, return receipt requested, and must be received by the Company at its principal executive offices (Attention: Corporate Secretary) by September 15, 2010, for inclusion in the proxy statement and the form of proxy for that meeting. Such proposals may be made only by persons who are shareholders, beneficially or of record, on the date the proposals are submitted and who continue in such capacity through the 2010 annual meeting date, of at least 1% or \$2,000 in market value of securities entitled to be voted at the meeting, and have held such securities for at least one year.

For any shareholder proposal that is not submitted for inclusion in the 2010 Proxy Statement, but is instead sought to be presented directly at the Annual Meeting, management will be able to vote proxies in its discretion if the Company: (i) does not receive notice of the proposal prior to the close of business on September 22, 2010 or (ii) receives notice of the proposal before the close of business on September 15, 2010, and advises shareholders in the 2010 Proxy Statement about the nature of the matter and how management intends to vote on such matter.

ANNUAL REPORT ON FORM 10-K

A copy of the 2009 Annual Report on Form 10-K for the fiscal year ended September 30, 2009, as filed with the Securities and Exchange Commission, may be obtained upon request and without charge, by writing:

Alico, Inc.

P. O. BOX 338

La Belle, Florida 33975

Attention: Denise Plair, Corporate Secretary

By Order of the Board of Directors

/s/ Denise Plair

Denise Plair

Secretary

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on February 19, 2010: The Company's Proxy Statement, our 2009 Annual Report to Shareholders and our Annual Report on Form 10-K for the fiscal year ended September 30, 2009 are available on our website at www.alicoinc.com. In addition, you may access these materials at https://www.sndd.com/EZProxy/?project_id=366, which does not have cookies that identify visitors to the site.

PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE COMPANY'S BOARD OF DIRECTORS

The undersigned shareholder(s) of Alico, Inc., a Florida corporation (the "Company"), hereby appoints JOHN R. ALEXANDER and STEVEN M. SMITH, or either of them, the proxy or proxies of the undersigned, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated on the reverse side, all the shares of Common Stock of the Company held of record by the undersigned on December 30, 2009, at the Annual Meeting of Shareholders of the Company to be held on Friday February 19, 2010 and at any and all adjournments thereof, with all powers the undersigned would possess if personally present.

Please mark your votes as indicated in this example. x

1. ELECTION OF DIRECTORS:

FOR all nominees listed below:

(INSTRUCTIONS: Vote for only Nine nominees.)

Nominees: 01) John R. Alexander	..	04) Evelyn D. An	..	07) John D. Rood	..
02) JD Alexander	..	05) Charles L. Palmer	..	08) Robert J. Viguet, Jr.	..
03) Robert E. Lee Caswell	..	06) Ramon Rodriguez	..	09) Gordon Walker	..

.. WITHHOLD AUTHORITY to vote for any of the nominees listed below:

2. RATIFICATION OF COMPANY'S AUDITORS:

FOR ratification of Company's auditors ..

AGAINST ratification of Company's auditors ..

3. In their discretion, the proxy or proxies are authorized to vote upon such other business as may properly come before the meeting or any and all adjournments thereof.

(Continued and to be signed on the other side)

The undersigned acknowledges receipt of the Notice of Annual Meeting of Stockholders and the Proxy Statement dated January 20, 2010. This proxy card when properly executed will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this proxy will be voted FOR PROPOSAL 1 and FOR PROPOSAL 2.

Dated _____, 2009

Signature of Shareholder

Signature of Shareholder (if held jointly)

(Executors, Administrators, Trustees,

Guardians, etc. will so indicate when signing.)

PLEASE MARK, DATE, SIGN AND MAIL YOUR PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE. YOUR PROMPT ATTENTION WILL BE APPRECIATED. NO POSTAGE IS NEEDED IF MAILED WITHIN THE UNITED STATES

ALICO, INC.

P.O. BOX 338

LA BELLE, FL 33975

VOTE BY MAIL

Mark, sign, and date your proxy card and return it in the postage-paid envelope provided or return it to Alico, Inc., Proxy Services c/o Computershare Investor Service, P.O. Box 43102, Providence, RI 02940-5068.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR

ALCIN1

KEEP THIS PORTION

BLACK INK AS FOLLOWS:

FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

ALICO, INC.

1. ELECTION OF DIRECTORS:

For the nine (9) nominees marked below:

Withhold

All

Nominees:

01) John R. Alexander

..

(06) Ramon Rodriguez

..

02) JD Alexander

..

(07) John D. Rood

..

03) Robert E. Lee Caswell

..

(08) Robert J. Viguet, Jr.

..

04) Evelyn D. An

..

(09) Gordon Walker

..

05) Charles L. Palmer

..

VOTE ONLY FOR NINE (9) NOMINEES.

2. RATIFICATION OF COMPANY'S AUDITORS:

FOR ratification of Company's auditors

..

AGAINST ratification of Company's auditors

..

3. In their discretion, the proxy or proxies are authorized to vote upon such other business as may properly come before the meeting or any and all adjournments thereof.

This proxy card when properly executed will be voted in the manner directed herein by the undersigned shareholder. If no direction is made, this proxy will be voted FOR all of the nine nominees for Director and FOR PROPOSAL 1 and FOR PROPOSAL 2.

PLEASE MARK, DATE, SIGN AND MAIL YOUR PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE. YOUR PROMPT ATTENTION WILL BE APPRECIATED. NO POSTAGE IS NEEDED IF MAILED WITHIN THE UNITED STATES.

(Executors, Administrators, Trustees, Guardians, etc. will so indicate when signing.)

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date