

MIDDLESEX WATER CO
Form DEF 14A
April 08, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant S

Filed by a Party other than the Registrant o

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- S Definitive Proxy Statement
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Middlesex Water Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(3) Filing Party:

(4) Date Filed:

1500 Ronson Road
Iselin, New Jersey 08830-0452
NASDAQ Stock Market Symbol: MSEX

April 8, 2014

Dear Shareholder:

I am pleased to invite you to attend Middlesex Water Company's Annual Meeting of Shareholders (the "Annual Meeting") which will be held on Tuesday, May 20, 2014 at 11:00 a.m. at the Company's headquarters. Directions are included on the back cover of this Proxy Statement.

The Proxy Statement contains three proposals from our Board of Directors: 1) the election of three Directors, 2) the ratification of the Audit Committee's appointment of ParenteBeard LLC as the Company's independent registered public accounting firm for 2014, and 3) a non-binding advisory vote to approve named executive officer compensation. The Board encourages you to vote FOR each of these proposals. In addition to specific matters being voted on, management will report on company activities. We welcome this opportunity to meet with our shareholders and look forward to your comments and questions. Information about the meeting is presented in the following Notice of Annual Meeting of Shareholders and Proxy Statement which you are urged to carefully read.

Instructions for voting are found on the following page of this Proxy Statement and are contained on the proxy or voting instruction card. It is important that your shares be represented and voted, regardless of the size of your holdings. Whether or not you plan to attend the Annual Meeting, we encourage you to vote your shares in advance of the meeting using any one of the convenient methods described.

On behalf of the Board of Directors, I appreciate your continued interest and participation in the affairs of Middlesex Water Company.

Sincerely,

Dennis W. Doll
Chairman

A Provider of Water, Wastewater and Related Products and Services

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Shareholders can help avoid the necessity and expense of follow-up letters to ensure that a quorum is present at the Annual Meeting by promptly voting their shares.

YoU MaY VoTe YoUR sHaRes bY anY of THe folloWInG Means:

By Mail—If you received a printed proxy card, mark, sign, date and mail the proxy card. See instructions on the **Notice of Internet Availability of Proxy Materials (NOIA)**, which explains how to request a paper copy of these documents.

By Phone—Call the toll-free number on your NOIA or on your proxy card.

By Internet—Visit the website shown on your NOIA (www.proxyvote.com) to vote via the Internet.

In Person—Shareholders of record may deliver their completed proxy card in person at the Annual Meeting of Shareholders or by completing a ballot available upon request at the meeting. **Note: If you are a beneficial owner whose shares are held in the name of a bank, broker or other nominee, you must obtain a legal proxy, executed in your favor, from the stockholder of record (that is, your bank, broker or nominee) to be able to vote at the Annual Meeting.**

Beneficial owners of shares of Common Stock held in street name through a bank or brokerage account should follow the voting instructions enclosed with their materials.

Shareholders are invited to view the Investor Relations section of our website at www.middlesexwater.com and the following website www.proxyvote.com until 11:59 p.m. on May 19, 2014 to transmit voting instructions. (Shareholders will need the 12-digit control number from the proxy card or NOIA to view proxy materials at www.proxyvote.com.)

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1500 Ronson Road
Iselin, New Jersey 08830-0452

noTICe of annUal MeeTInG of sHaReHolDeRs
anD PRoXY sTaTeMenT

The Annual Meeting of Shareholders (the “Annual Meeting”) of Middlesex Water Company will be held at the Company’s headquarters, the J. Richard Tompkins Center, 1500 Ronson Road, Iselin, New Jersey 08830 on Tuesday, May 20, 2014 at 11:00 a.m., for the following purposes:

1. To elect three (3) Directors to three-year terms of office;
2. To ratify the appointment of ParenteBeard LLC as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2014; and
3. To provide an advisory vote to approve named executive officer compensation.

We may also transact such other business that may properly come before the Annual Meeting or any postponement or adjournment thereof.

The Board of Directors has fixed the close of business on March 24, 2014 as the record date for the determination of the shareholders entitled to notice of, and to vote at, the Annual Meeting.

Please note in the absence of specific instructions as to how to vote, brokers may not vote your shares on the election of directors or the non-binding advisory proposal regarding the compensation of our executive officers. Please return your proxy card so your vote can be counted.

Our Annual Report to Shareholders outlining the Company's operations during 2013 accompanies this Notice of Annual Meeting and Proxy Statement.

Thank you for your continued interest in, and support of, Middlesex Water Company.

By Order of the Board of Directors,

A. BRUCE O'CONNOR
Vice President, Treasurer
and Chief Financial Officer

Iselin, New Jersey
April 8, 2014

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Annual Meeting of Shareholders
MAY 20, 2014

This Proxy Statement and the accompanying form of proxy are being furnished to the shareholders of Middlesex Water Company (hereinafter referred to as the "Company") in connection with the solicitation of proxies by the Board of Directors of the Company, to be used at the Annual Meeting of the Shareholders to be held at 11:00 a.m. at the Company's headquarters, the J. Richard Tompkins Center, 1500 Ronson Road, Iselin, New Jersey on Tuesday, May 20, 2014 (the "Annual Meeting"), and at any adjournments thereof.

The Board is making these materials available to you on the Internet or, upon your request, delivering printed versions of these materials to you by mail. On or about April 8, 2014, we expect to mail a notice to shareholders containing instructions on how to access the Proxy Statement and Annual Report and how to vote.

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS
AND THE ANNUAL MEETING

1. What is the purpose of the Meeting? At the Annual Meeting, shareholders of the Company will consider and vote upon three proposals:

- To elect three (3) Directors to three-year terms of office;
- To ratify the appointment of ParenteBeard LLC as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2014; and
- To provide a non-binding advisory vote to approve named executive officer compensation.

Shareholders may also vote upon such other matters as may properly come before the Annual Meeting or any postponement or adjournment thereof.

2. Where can I obtain financial information about the Company? Our Annual Report to Shareholders, including our Form 10-K with financial statements for 2013, is enclosed in the same mailing with this Proxy Statement. The Company's Proxy Statement and Annual Report to Shareholders are also available at www.middlesexwater.com. Information on our website does not constitute part of this Proxy Statement.

3. What is a proxy? A proxy is your legal designation of another person to vote the stock you own. If you designate someone as your proxy or proxy holder in a written document, that document is called a proxy or a proxy card. John C. Cutting and Walter G. Reinhard, Esq. have been designated as proxies or proxy holders for the Annual Meeting. Proxies properly executed and received by our Corporate Secretary prior to the Annual Meeting, and not revoked, will be voted in accordance with the terms thereof.

4. How are other proxy materials being furnished? Under rules adopted by the U.S. Securities and Exchange Commission (SEC), we have chosen to furnish our proxy materials, including this Proxy Statement and the Annual Report to Shareholders, to our shareholders over the Internet and to provide a Notice of Internet Availability (NOIA) of proxy materials by mail, rather than mailing a full set of the printed proxy materials. As a result, the Company is able to reduce printing and postage costs, as well as minimize adverse impact on the environment and help preserve our natural resources. If you receive a NOIA, you will not receive a printed copy of our proxy materials in the mail unless you request them by following the instructions provided in the NOIA. Instead, the NOIA instructs you how to access and review all of the important information contained in the Proxy Statement and Annual Report to Shareholders. The NOIA also explains how you may submit your proxy over the Internet. If you would like to receive a printed copy of our proxy materials, you should follow the instructions in the NOIA.

5. Who is entitled to vote? Shareholders of record at the close of business on March 24, 2014, which we refer to as the Record Date, are entitled to notice of, and to vote at, the Annual Meeting. On the Record Date, we had 15,985,184 shares

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of Middlesex Water Company common stock issued and outstanding, each entitled to one vote. A complete list of the shareholders entitled to vote at the meeting will be available for examination by any shareholder of record at our offices at 1500 Ronson Road, Iselin, NJ 08830 for a period of 10 days prior to the Annual Meeting. The list will also be available for examination by any shareholder of record at the Annual Meeting.

6. What is the difference between a “shareholder of record” and an owner holding shares in “street name”? You are a “Shareholder of Record” if you hold a stock certificate or if you have an account directly with our transfer agent, Registrar & Transfer Company. If your shares are held in a brokerage account, by a broker, bank or other holder of record, your shares are held in “street name” and you are considered the beneficial owner of those shares.

7. How are Proxies used? All shares that have been properly voted, whether by Internet, telephone or mail, and not revoked, will be voted at the Annual Meeting in accordance with your instructions. If you sign your proxy card but do not give voting instructions, the shares represented by that proxy will be voted as recommended by the Board. The Board recommends a vote for the election of three Director nominees named in this Proxy Statement; for the ratification of the appointment by the Audit Committee of ParenteBeard LLC as the independent registered public accounting firm for fiscal year ending December 31, 2014; and for a non-binding advisory vote approving named executive officer compensation. If any other matters are properly presented at the Annual Meeting for consideration and if you have voted your shares by Internet, telephone or mail, the persons named as proxies in the proxy card will have the discretion to vote on those registered matters for you. At the date we filed this Proxy Statement with the SEC, we do not know of any other matters to be raised at the Annual Meeting.

8. How many votes must be present to hold the Annual Meeting? In order for the Annual Meeting to be conducted, a majority of the outstanding shares of Common Stock as of the record date must be present in person or represented by proxy at the Annual Meeting. This is referred to as a quorum.

9. What vote is needed to elect a Director? Directors are elected (Proposal 1) by a plurality of votes cast by shareholders present in person or represented by proxy at the Annual Meeting, and entitled to vote on the election of Directors.

10. What vote is needed to ratify the appointment by the Audit Committee of ParenteBeard LLC? The ratification of the appointment by the Audit Committee of ParenteBeard LLC (Proposal 2) requires that the votes cast in favor of the ratification exceed the number of votes opposing the ratification.

11. What vote is needed to approve the non-binding advisory vote approving named executive officer compensation? The approval of the non-binding advisory vote regarding the compensation of our named executive officers (Proposal 3) requires that the votes cast in favor of the proposal exceed the number of votes cast against the proposal.

12. What are the voting recommendations of the Board? For the reasons set forth in more detail later in this Proxy Statement, THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE:

**FOR THE PROPOSED NOMINEES FOR THE BOARD OF DIRECTORS
FOR THE RATIFICATION OF THE APPOINTMENT OF PARENTEBEARD LLC AS THE COMPANY'S
InDePenDenT ReGIsTeReD PUBlIC aCCoUnTInG fIRM foR flsCal YeaR enDInG DeCeMbeR 31, 2014
FOR THE NON-BINDING ADVISORY VOTE APPROVING THE COMPENSATION OF OUR NAMED
eXeCUTIVe offICeRs**

13. How will my shares be voted if I do not provide instructions to my broker? It is possible for a proxy to indicate that some of the shares represented are not being voted with respect to certain proposals. This occurs, for example, when a broker, bank or other nominee does not have discretion under the rule of the New York Stock Exchange (the "NYSE") to vote on a matter without instructions from the beneficial owner of the shares and has not received such instructions. In these cases, non-voted shares will not be considered present and entitled to vote with respect to that matter, although they may be considered present and entitled to vote for other purposes and will be counted in determining the presence of a quorum.

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Accordingly, if the quorum is present at the meeting, non-voted shares concerning a particular proposal will not affect the outcome of that proposal.

Please note that your bank, broker or other nominee may not vote your shares with respect to matters considered non-routine (i) the election of the three nominees for Director, and (ii) the non-binding advisory proposal regarding the approval of the compensation of our named executive officers in the absence of your specific instructions as to how to vote with respect to these matters. Under the NYSE rules as currently in effect, brokers, banks or other nominees have discretionary voting power to vote without receiving voting instructions from the beneficial owner on “routine” matters but not on “non-routine” matters. Under the rules of the NYSE, routine matters include, among other things, the ratification of appointment of the independent registered public accounting firm. “Non-routine” matters include the election of Directors, whether contested or not. This means that if you hold your shares through a broker, bank or other nominee, and you do not provide voting instructions by the tenth day before the Annual Meeting, the broker, bank or other nominee has the discretion to vote your shares on the “routine” matter, but not on any “non-routine” matters. **Please return your proxy card so your vote can be counted.**

14. How are abstentions and broker non-votes counted? For purposes of determining the votes cast with respect to any matter presented for consideration at the Annual Meeting, only those votes cast “for” or “against” are included. As described above, where brokers do not have discretion to vote or did not exercise authorized discretion, the inability or failure to vote is referred to as a “broker non-vote.” Proxies marked as abstaining, and any proxies returned by brokers as “non-votes” on behalf of shares held in street name because beneficial owners’ discretion has been withheld as to one or more matters to be acted upon at the Annual Meeting, will be treated as present for purposes of determining whether a quorum is present at the Annual Meeting. Broker non-votes and withheld votes will not be included in the vote total for the proposal to elect the nominees for Director and will not affect the outcome of the vote for these proposals. In addition, under New Jersey corporation law, abstentions are not counted as votes cast on a proposal. Therefore, abstentions and broker non-votes will not count either in favor of or against the non-binding advisory proposal regarding the approval of the compensation of our named executive officers, or the ratification of the appointment of ParenteBeard LLC.

15. What if I change my vote after I have voted? Whether you vote by telephone, Internet or by mail, you may later change or revoke your proxy at any time before it is counted at the Annual Meeting by: (a) submitting a properly signed proxy with a later date; (b) voting by telephone or the Internet at a later time; or (c) by voting in person at the Annual Meeting. Attendance at the Annual Meeting will not by itself revoke a previously granted proxy, unless you specifically request it. You may change your proxy instructions for shares in “street name” by submitting new voting instructions to your broker or nominee.

16. Who will count the vote? Votes will be counted by representatives of Broadridge Financial Solutions, Inc. who will tally the votes and certify the results.

17. Who can attend the Annual Meeting? All shareholders of record as of the close of business on March 24, 2014 can attend the Annual Meeting. Seating, however, is limited. Attendance at the Annual Meeting will be on a first arrival basis. Shareholders are not permitted to bring cameras or recording devices to the Annual Meeting.

18. Will there be a management presentation at the Annual Meeting? Yes. Management will give a brief presentation during the Annual Meeting.

19. When are shareholder proposals due for the 2015 Annual Meeting? Should a shareholder intend to present a proposal at the Annual Meeting to be held in the year 2015, you must submit your proposal to the Secretary of the Company at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, not later than December 10, 2014, in order to be considered for inclusion in the Company's Proxy Statement and form of proxy relating to the 2015 Annual Meeting.

20. Where can I find the voting results of the Annual Meeting? Announcement of the preliminary voting results will occur at the Annual Meeting and issued in a press release and filed on form 8-K on or about May 21, 2014.

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PRoPosal 1

eleCTIon of DIReCToRs

The Board consists of eight members divided into three classes with staggered three-year terms of office. The Corporate Governance Committee periodically reviews the efficacy of declassifying the Board. This matter was last presented to the full Board for evaluation in 2013. Upon thorough discussion, the Board concluded that maintaining its present classification structure with three classes of Directors with as nearly equal number of members as practicable, provides for the most effective continuance of the knowledge and experience gained by members of the Board and that maintaining the current Board classification structure serves the best interests of the shareholders and customers.

The Nominating Committee recommends the following nominees, James F. Cosgrove, Jr., P.E., John R. Middleton, M.D., and Jeffries Shein, each of whom is currently serving as a Director, be elected at the Annual Meeting, to serve for three (3) years or until their respective successors have been duly elected and qualified. The present terms of these Class III Directors expire at the year 2014 Annual Meeting. There were no nominee recommendations from shareholders or from any group of shareholders submitted in accordance with regulations of the SEC.

All nominees proposed by the Board have consented to serve if elected. Unless otherwise indicated on a proxy, the proxy holders intend to vote the shares each proxy represents for all of the nominees for election as Directors.

Directors shall be elected by a plurality of the votes cast at the Annual Meeting. If at the time of the election any of the nominees listed should be unable to serve, it is the intention of the persons designated as proxies to vote, in their discretion, for other nominees, unless the number of Directors is reduced.

There is shown as to each nominee, and as to each Director whose term of office will continue after the year 2014 Annual Meeting, his or her age as of the date of the Annual Meeting, class, period of service as a Director of the Company, and business and professional experience during the last five years.

THE boARd of DIReCToRs UnanIMoUsLY ReCoMMenDs THaT
sHaReHolDeRs VoTe foR THE eleCTIon of

JAMES F. COSGROVE, JR., P.E., JOHN R. MIDDLETON, M.D. AND JEFFRIES SHEIN.

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noMInees foR eleCTIon as DIReCToRs WITH TeRMs eXPIRInG In 2017

Professional Experience During Past Five Years and Other Affiliations

James F.

**Cosgrove, Jr.,
P.E.**

Class III

Independent
Director since
2010

Committees:

Corporate
Governance
Nominating,
Chair
Pension

Ad Hoc
Pricing, *Chair*

Age 50

Mr. Cosgrove is Vice President and Principal of Kleinfelder, a firm offering consulting in architecture, civil and structural engineering, construction management, environmental analysis, remediation, and natural resources management throughout the U.S., Canada and Australia. A Professional Engineer licensed in the State of New Jersey, Mr. Cosgrove has over 25 years' experience in the field of environmental engineering and science with extensive background in water quality monitoring and modeling. Prior to his current position, Mr. Cosgrove was Principal and Founder of Omni Environmental LLC, an environmental consulting firm based in Princeton, NJ. Mr. Cosgrove's professional affiliations include the American Society of Civil Engineers, the American Water Resources Association, the National Society of Professional Engineers, and the Water Environment Federation, among others. He served as a director of the Association of Environmental Authorities from 2005–2011 and currently serves on the New Jersey Clean Water Council. Mr. Cosgrove received a B.S. degree in Civil Engineering from Lafayette College and earned his M.E. in Environmental and Water Resource Systems Engineering from Cornell University. The Board considered Mr. Cosgrove's engineering background and extensive experience in water and wastewater systems management and determined that his continued service is beneficial to the Company's Board of Directors.

John R.
Middleton,
M.D.

Class III

Independent
Director since
1999

Committees:

Audit
Compensation

Dr. Middleton is currently engaged in private practice with ID Care, New Jersey's largest network of Infectious Disease Specialists providing comprehensive specialized consultations, care and education for patients with complex infectious diseases. He is also a Clinical Professor of Medicine at Robert Wood Johnson Medical School. He formerly served as Chair, Department of Medicine at Raritan Bay Medical Center (Perth Amboy and Old Bridge (NJ) Divisions) from 1978–2007, and was also Chief Medical Officer/Medical Director from 1986–2007. During his tenure he established the Center for Excellence in Infectious Diseases and the Hope Clinic in Perth Amboy for the victims of Hurricane Katrina at the request of the mayor. He has extensive experience in epidemiology, quality assessment and improvement and institutional safety measures. Dr. Middleton's background includes serving as a Special Advisor on Infectious Diseases to the New Jersey State Department of Health and the Health Emergency Preparedness Advisory Council. He has also participated in TOPOFF I, II and III, major disaster exercises, on both the federal and state levels. Dr. Middleton received a B.S. in Biology from the College of Holy Cross; Doctor of Medicine from UMDNJ-New Jersey Medical School, and a certificate of Medical Humanities from Drew University. He is certified as a Diplomate of the American Board of Internal Medicine and the Subspecialty Board of Infectious Diseases, and is a Master of the American College of Physicians. The Board considered Dr. Middleton's extensive medical background, his experience in health care crisis planning and response, and determined his continued service is beneficial to the Company's Board of Directors.

Corporate
Governance
Nominating

Age 69

Jeffries Shein

Class III

Independent
Director since
1990

Committees:
Compensation
Corporate
Governance
Nominating

Mr. Shein is managing partner, JGT Management Company, LLC, a management and investment firm since 2003. He was formerly a Partner of Jacobsen, Goldfarb and Tanzman Associates, one of the largest industrial and commercial real estate brokerage firms in New Jersey. Mr. Shein serves on the Board of Directors of Provident Bank and was a director of its predecessor, First Savings Bank. Mr. Shein has served on boards and committees of numerous community, non-profit and professional organizations. Mr. Shein is a member of the Society of Office and Industrial Realtors. He received a B.A. in Economics from Rutgers University. The Board views Mr. Shein's real estate investment and business background, his longstanding service to the Company, his leadership in the community and his experience in financial matters is beneficial to the Company's Board of Directors.

Ad Hoc Pricing

Age 74

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DIReCToRs WITH TeRMs eXPIRInG In 2015

Professional Experience During Past Five Years and Other Affiliations

John C.

Cutting, Ph.D. Dr. Cutting, retired, formerly served as Senior Engineer for Science Applications International, a firm specializing in information, energy, and military systems. His background also includes research, development, and supervision of fossil and renewable energy systems at the Argonne National Laboratory and Gilbert Associates. Dr. Cutting has more than thirty-five years' experience in engineering and project management in development of various energy conversion systems, rocket propulsion, and computer simulation. Dr. Cutting has a Ph.D. in Aeronautics and Astronautics from Stanford University, a Master of Science in Mechanical Engineering from Massachusetts Institute of Technology and a Bachelor of Science in Mechanical Engineering from Stevens Institute of Technology. The Board considered Dr. Cutting's engineering and analytical experience and his scientific background and determined that his continued service is beneficial to the Company's Board of Directors.

Class I

Independent Director since 1997

Committees: Audit Pension, *Chair* of Directors.

Ad Hoc Pricing

Age 77

Dennis W. Doll

Class I

Director since 2006

Age 55

Mr. Doll was named Chairman of the Board in May 2010 and served as Vice Chairman from 2009–2010. He has served as President, Chief Executive Officer and a Director of Middlesex Water Company since 2006 and serves as Chairman of all subsidiary companies. Mr. Doll joined Middlesex Water as Executive Vice President in November 2004. He has more than 30 years of experience in both regulated and non-regulated water utility management. He is a Certified Public Accountant and received a B.A. degree in Accounting and Economics from Upsala College. Mr. Doll serves as a volunteer Director on non-profit Boards including the New Jersey Utilities Association (past Chairman) and the National Association of Water Companies (current President). He also serves as Treasurer and a member of the executive committees on the Boards of both the Water Research Foundation and Raritan Bay Medical Center, and has various Board Committee leadership roles in these organizations. The Board considered Mr. Doll's experience within the Company, his leadership in the utilities industry, his diverse management background in matters related to water and wastewater utilities, contract operations and capital management and determined that his service and leadership are beneficial to the Company's Board of Directors.

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DIReCToRs WITH TeRMs eXPIRInG In 2016

Professional Experience During Past Five Years and Other Affiliations

Steven M. Klein

Class II Mr. Klein serves as President and Chief Operating Officer of Northfield Bancorp, Inc. and its subsidiary, Northfield Bank, with overall responsibility for activities of these entities. He joined
Independent Northfield Bancorp, Inc. in 2005 as Chief Financial Officer and was named Chief Operating Officer
Director since in 2011. Upon being named in January 2013 to President, Mr. Klein relinquished his role as Chief
2009 Financial Officer. Mr. Klein’s background includes serving as an audit partner with the international accounting and auditing firm KPMG LLP. He is a licensed Certified Public Accountant in the State of New Jersey and member of the American Institute of Certified Public Accountants and the New Jersey Society of Certified Public Accountants. He is a member of the New Jersey Bankers Association and the American Bankers Association. He earned a B.S. in Business Administration from Montclair State University. The Board considered Mr. Klein’s financial and auditing experience as well as his active involvement in industry matters and determined that his continued service is beneficial to the Company’s Board of Directors.

Committees:

Audit, Chair

Audit

Committee

Financial Expert

Compensation

Pension

Age 48

Amy B. Mansue Ms. Mansue is President and Chief Executive Officer of Children’s Specialized Hospital, the largest pediatric rehabilitation hospital in the country, where she leads a skilled team of clinicians and therapists providing specialized care for children. An affiliate member of the Robert Wood Johnson Health System, Children’s Specialized Hospital operates ten sites throughout New Jersey. Ms. Mansue’s background includes serving as a staff member on healthcare policy for former New Jersey Governor Jim Florio; serving as a Deputy Commissioner in the New Jersey Department of Human Services, and as Deputy Chief of Staff to former New Jersey Governor James McGreevey. Ms. Mansue serves on the Boards of the New Jersey Chamber of Commerce, the New Brunswick Development Corporation, and Children’s Hospital Association, where she serves as Treasurer. Ms. Mansue holds a Bachelor’s degree in social welfare and a Master’s degree in social work, planning and management from the University of Alabama. The Board believes that Ms. Mansue’s organizational leadership experience and broad perspective on strategic and operating issues, her background in the public sector and her extensive public policy experience are beneficial to the Company’s Board of Directors.

Class II

Independent

Director since

2010

Committees:

Audit

Compensation,

Chair

Corporate
Governance
Nominating

Age 49

Walter G.
Reinhard, Esq.

Class II

Independent
Director since
2002(1)

Committees:

Corporate
Governance,
Chair

Pension
Age 68

Mr. Reinhard is a partner in the law firm of Norris McLaughlin & Marcus, P.A. since 1984 and practices administrative, environmental and regulatory law involving public utilities. He brings over 40 years of law experience to the Board including expertise in handling regulatory matters before the New Jersey Board of Public Utilities and the New Jersey Department of Environmental Protection. Mr. Reinhard's professional affiliations include the New Jersey State Bar Association and its Public Utility Law Section (Chair, 1988–89), the Water Utility Council of the American Water Works Association, New Jersey Chapter, and the New Jersey Chapter of the National Association of Water Companies. Mr. Reinhard serves as a director of the Fanwood Scotch Plains YMCA. He received his B.A. from the University of Pennsylvania and his J.D. from Pennsylvania State University's Dickinson School of Law. The Board considered Mr. Reinhard's broad experience in utility industry law and his extensive regulatory and planning background and determined that his continued service on the Board is beneficial to the Company's Board of Directors.

(1) Norris, McLaughlin & Marcus, P.A., provides legal services to the Company in the areas of corporate and regulatory matters. The Board has determined that based upon the definition of "Independent Director" under NASDAQ Listing Guidelines, Mr. Reinhard was an independent director in 2013.

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CoRPOraTe GoVeRnanCe GUIDeLines and boaRD MaTTeRs

General Information

Management of the Company is under the general direction of the Board of Directors (the “Board”) who are elected by the shareholders. The Company’s business and affairs are managed under the direction of the Board in accordance with the New Jersey Business Corporation Act and our Certificate of Incorporation and By-laws. Members of the Board are kept apprised of our business through discussions with the Chairman and Chief Executive Officer and other Company Officers, by reviewing briefing materials and other relevant information provided to them, and by participating in meetings of the Board and its Committees.

Board Size

The Board shall consist of not less than five nor more than twelve members in accordance with the By-laws.

Board Meetings and Attendance at Annual Meeting of Shareholders

The frequency and length of Board meetings, as well as agenda items, is determined by the Chairman and Committee Chairs with input from all other Directors. Meeting schedules are approved by the full Board.

The Board holds monthly meetings and meets on other occasions when required. The Board held twelve meetings and the Board Committees held seventeen meetings during 2013. Each incumbent Director attended 91% or more of the total number of meetings of the Board and Committees on which each served. All of the Directors serving at the time of the Annual Meeting of Shareholders held in May 2013 attended that meeting.

Executive Sessions

The non-management Directors shall periodically meet without management in executive session. The Lead Director is designated to preside at the executive sessions.

Board Standards of Independence

The Company’s Common Stock is listed on the NASDAQ Global Select Market. NASDAQ listing rules require that a majority of the Company’s Directors be “independent directors” as defined by NASDAQ corporate governance standards. “Independent Director” means a person other than an Executive Officer or employee of the Company or any other individual having a relationship which, in the opinion of the Company’s Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a Director. For purposes of this rule, “Family Member” means a person’s spouse, parents, children and siblings, whether by blood, marriage or adoption, or anyone residing in such person’s home.

As defined by NASDAQ corporate governance requirements, a member of the Board is not independent if:

• The Director is, or at any time during the past three years, has been employed by the Company.

The Director has accepted or has a family member that has accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the determination of independence.

• The Director is a family member of an individual who is, or at any time during the past three years was, employed by the Company as an Executive Officer.

The Director is, or has a family member who is, a partner in, or a controlling Shareholder or an Executive Officer of, any organization to which the Company made, or from which the Company received, payments for property or services in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more.

The Director is, or has a family member who is, employed as an Executive Officer of any other entity where at any time during the past three years any of the Executive Officers of the Company serve on the compensation committee of such other entity.

The Director is, or has a family member who is, a current partner of the Company's outside auditor, or was a partner or employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

With the exception of Mr. Doll, who is an Executive Officer of the Company, the Board has determined that each member of the Board is independent under the NASDAQ listing standards.

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The Board based this determination primarily on a review of the responses of the Directors to a comprehensive annual questionnaire regarding employment and compensation history, affiliations, family and other relationships, together with an examination of those companies with whom the Company transacts business. The Directors certify individually as to their representations.

The Board reviewed the related party transactions between Walter G. Reinhard, Esq., an attorney for Norris, McLaughlin

& Marcus, P.A., and the Company. Mr. Reinhard currently serves as Chair of the Corporate Governance Committee and is a member of the Pension Committee. Mr. Reinhard had formerly served as Chair of the Corporate Governance and Nominating Committee, until this committee was separated in November 2013 into a distinct Corporate Governance Committee and a distinct Nominating Committee, whereby Mr. Cosgrove was named Chair of the Nominating Committee. The Company paid Norris, McLaughlin & Marcus \$31,723 for legal services during 2013. The amount paid represents less than 0.05% of Norris, McLaughlin & Marcus P.A. fee revenue. Mr. Reinhard is not a controlling shareholder of the firm. Based upon the foregoing, and in connection with the definition of “Independent Director” under the NASDAQ Listing Guidelines, the Board determined that Mr. Reinhard was an Independent Director in 2013.

Board Leadership Structure

The Board does not have a formal policy on whether or not the role of the Chief Executive Officer and Chairman of the Board should be separate or, if it is to be separate, whether the Chairman should be selected from the Directors or be an employee. Currently, the Company operates with one individual, Mr. Doll, serving as Chairman of the Board as well as President and Chief Executive Officer, coupled with a strong independent Lead Director and independent standing Board committees. The Board believes that combining the Chairman of the Board and President and Chief Executive Officer roles is the appropriate corporate governance structure at this time because it most effectively utilizes Mr. Doll’s extensive utility and management experience and knowledge regarding the Company, as well as his capabilities in effectively identifying strategic priorities and leading discussions on, and execution of, the Company’s strategy.

The Board has embedded in its culture, a philosophy of “constructive tension” whereby, the Board fulfills its mission to support the strategic direction and operation of the Company while simultaneously fully representing the interests of our shareholders. The Board accomplishes this by challenging the President and Chief Executive Officer and the Company’s management on an ongoing basis. Mr. Doll was elected by the Board as President and Chief Executive Officer in 2006 and Chairman of the Board in 2010. The Company’s independent Directors bring significant experience, oversight and expertise from outside the Company and industry.

Lead Director

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