

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File

FOR QUARTER ENDED: SEPTEMBER 30, 1999

NO. 0-422

MIDDLESEX WATER COMPANY

(Exact name of registrant as specified in its charter)

INCORPORATED IN NEW JERSEY
(State or other jurisdiction of
incorporation or organization)

22-1114430
(I.R.S. Employer
Identification No.)

1500 RONSON ROAD, ISELIN, NJ
(Address of principal executive offices)

08830
(Zip Code)

(732) 634-1500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that this registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 30 days.

YES X NO
----- -----

Indicate the number of shares outstanding of each of the Issuer's classes of common stock, as of the latest practicable date.

CLASS -----	OUTSTANDING AT SEPTEMBER 30, 1999 -----
Common Stock, No Par Value	4,944,982

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MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1999	1998	1999	1998	1999	1998
	-----	-----	-----	-----	-----	-----
Operating Revenues	\$15,392,145	\$12,073,985	\$40,884,826	\$32,434,440	\$51,508,352	\$42,487,359
Operating Expenses:						
Operations	6,938,208	5,273,381	19,664,043	14,594,866	24,876,649	19,065,602
Maintenance	662,487	430,079	1,908,947	1,196,360	2,427,944	1,728,726
Depreciation	1,023,154	823,148	2,762,078	2,446,871	3,599,876	3,251,842
Other Taxes	1,952,789	1,666,111	5,245,111	4,580,355	6,766,475	5,984,220
Federal Income Taxes	1,200,064	903,758	2,762,344	2,422,447	3,339,185	3,167,443
Total Operating Expenses	11,776,702	9,096,477	32,342,523	25,240,899	41,010,129	33,197,833
Operating Income	3,615,443	2,977,508	8,542,303	7,193,541	10,498,223	9,289,526
Other Income:						
Allowance for Funds Used During Construction	241,946	301,100	1,318,782	653,156	1,715,670	737,431
Other - Net	101,714	278,551	484,718	562,806	667,234	607,894
Total Other Income	343,660	579,651	1,803,500	1,215,962	2,382,904	1,345,325
Income Before Interest Charges	3,959,103	3,557,159	10,345,803	8,409,503	12,881,127	10,634,851
Interest Charges	1,178,544	1,209,587	3,500,014	3,224,672	4,698,943	4,075,902
Net Income	2,780,559	2,347,572	6,845,789	5,184,831	8,182,184	6,558,949
Preferred Stock Dividend Requirements	77,697	79,697	237,090	239,090	316,786	319,256
Earnings Applicable to Common Stock	<u>\$2,702,862</u>	<u>\$2,267,875</u>	<u>6,608,699</u>	<u>4,945,741</u>	<u>\$7,865,398</u>	<u>\$6,239,693</u>
Earnings per share of Common Stock:						
Basic	\$ 0.55	\$ 0.52	\$ 1.34	\$ 1.14	\$ 1.64	\$ 1.45
Diluted	\$ 0.54	\$ 0.51	\$ 1.32	\$ 1.13	\$ 1.62	\$ 1.43
Average Number of Common Shares Outstanding :						
Basic	4,931,874	4,357,571	4,915,835	4,326,337	4,794,792	4,309,949
Diluted	5,156,139	4,583,997	5,141,533	4,552,763	5,020,673	4,536,401
Cash Dividends Paid per Common Share	\$0.29 1/2	\$0.28 1/2	\$0.88 1/2	\$0.85 1/2	\$1.18	\$1.14

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS AND OTHER DEBITS

	September 30, 1999	December 31, 1998
	-----	-----
	(Unaudited)	
UTILITY PLANT:		
Water Production	\$ 62,163,208	\$ 28,154,961
Transmission and Distribution	120,858,867	118,234,900
General	19,633,795	19,300,406
Construction Work in Progress	4,612,085	25,794,061
	-----	-----
TOTAL	207,267,955	191,484,328
Less Accumulated Depreciation	34,335,554	32,367,936
	-----	-----
UTILITY PLANT-NET	172,932,401	159,116,392
	-----	-----
NONUTILITY ASSETS-NET	4,042,541	3,710,437
	-----	-----
CURRENT ASSETS:		
Cash and Cash Equivalents	4,475,657	9,388,822
Temporary Cash Investments-Restricted	2,692,751	9,776,072
Accounts Receivable (net of allowance for doubtful accounts)	6,386,050	4,886,067
Unbilled Revenues	2,899,948	2,298,148
Materials and Supplies (at average cost)	1,137,672	906,866
Prepayments and Other Current Assets	606,999	528,348
	-----	-----
TOTAL CURRENT ASSETS	18,199,077	27,784,323
	-----	-----
DEFERRED CHARGES:		
Unamortized Debt Expense	3,043,107	3,143,384
Preliminary Survey and Investigation Charges	389,700	276,202
Regulatory Assets		
Income Taxes	5,863,752	5,788,752
Post Retirement Costs	1,149,436	1,214,092
Other	2,334,438	2,467,674
	-----	-----
TOTAL DEFERRED CHARGES	12,780,433	12,890,104
	-----	-----
TOTAL	\$207,954,452	\$203,501,256
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND OTHER CREDITS

	September 30, 1999 ----- (Unaudited)	December 31, 1998 -----
CAPITALIZATION (see accompanying statements)	\$152,687,774 -----	\$149,756,614 -----
CURRENT LIABILITIES:		
Current Portion of Long-term Debt	144,285	71,730
Notes Payable	1,000,000	1,000,000
Accounts Payable	1,937,869	3,373,595
Taxes Accrued	6,382,926	5,220,669
Interest Accrued	681,886	1,701,330
Other	1,881,835 -----	1,832,737 -----
TOTAL CURRENT LIABILITIES	12,028,801 -----	13,200,061 -----
DEFERRED CREDITS:		
Customer Advances for Construction	11,993,118	11,275,660
Accumulated Deferred Investment Tax Credits	2,109,597	2,165,384
Accumulated Deferred Federal Income Taxes	12,013,103	12,070,474
Employee Benefit Plans	4,443,222	3,762,516
Other	879,144 -----	791,460 -----
TOTAL DEFERRED CREDITS	31,438,184 -----	30,065,494 -----
CONTRIBUTIONS IN AID OF CONSTRUCTION	11,799,693 -----	10,479,087 -----
TOTAL	\$207,954,452 =====	\$203,501,256 =====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CAPITALIZATION AND RETAINED EARNINGS

	September 30, 1999	December 31, 1998
	----- (Unaudited)	-----
CAPITALIZATION:		
Common Stock, No Par Value		
Shares Authorized - 10,000,000		
Shares Outstanding - 1999 - 4,944,982; 1998 - 4,897,069	\$46,476,503	\$45,507,172
Retained Earnings	23,432,905	21,222,294
TOTAL COMMON EQUITY	----- 69,909,408	----- 66,729,466
Cumulative Preference Stock, No Par Value		
Shares Authorized - 100,000; Shares Outstanding - None		
Cumulative Preferred Stock, No Par Value, Shares Authorized - 148,980		
Convertible:		
Shares Outstanding, \$7.00 Series - 14,881	1,562,505	1,562,505
Shares Outstanding, \$8.00 Series - 19,000	2,214,858	2,331,430
Nonredeemable:		
Shares Outstanding, \$7.00 Series - 1,017	101,700	101,700
Shares Outstanding, \$4.75 Series - 10,000	1,000,000	1,000,000
TOTAL CUMULATIVE PREFERRED STOCK	----- 4,879,063	----- 4,995,635
Long-term Debt:		
8.02% Amortizing Secured Note, due December 20, 2021	3,383,602	3,418,243
First Mortgage Bonds:		
7.25%, Series R, due July 1, 2021	6,000,000	6,000,000
5.20%, Series S, due October 1, 2022	12,000,000	12,000,000
5.25%, Series T, due October 1, 2023	6,500,000	6,500,000
6.40%, Series U, due February 1, 2009	15,000,000	15,000,000
5.25%, Series V, due February 1, 2029	10,000,000	10,000,000
5.35%, Series W, due February 1, 2038	23,000,000	23,000,000
0.00%, Series X, due August 1, 2018	1,024,986	1,050,000
4.53%, Series Y, due August 1, 2018	1,135,000	1,135,000
SUBTOTAL LONG-TERM DEBT	----- 78,043,588	----- 78,103,243
Less: Current Portion of Long-term Debt	----- (144,285)	----- (71,730)
TOTAL LONG-TERM DEBT	----- 77,899,303	----- 78,031,513
TOTAL CAPITALIZATION	----- \$152,687,774	----- \$149,756,614
	=====	=====

	Nine Months Ended September 30, 1999 ----- (Unaudited)	Year Ended December 31, 1998 -----
RETAINED EARNINGS:		
BALANCE AT BEGINNING OF PERIOD	\$21,222,294	\$20,087,065
Net Income	6,845,789	6,521,226
	-----	-----
TOTAL	28,068,083	26,608,291
	-----	-----
Cash Dividends:		
Cumulative Preferred Stock	237,090	318,751
Common Stock	4,348,788	4,987,013
Common Stock Expenses	49,300	80,233
	-----	-----
TOTAL DEDUCTIONS	4,635,178	5,385,997
	-----	-----
BALANCE AT END OF PERIOD	\$23,432,905	\$21,222,294
	=====	=====

See Notes to Consolidated Financial Statements.

MIDDLESEX WATER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 1999 ----	1998 ----	Twelve Months Ended September 30, 1999 ----	1998 ----
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net Income	\$ 6,845,789	\$ 5,184,831	\$ 8,182,184	\$ 6,558,949
Adjustments to Reconcile Net Income to				
Net Cash Provided by Operating Activities:				
Depreciation	2,762,078	2,446,871	3,599,876	3,251,842
Provision for Deferred Income Taxes	(132,372)	200,567	(197,963)	408,778
Allowance for Funds Used During Construction	(1,318,782)	(653,156)	(1,715,670)	(737,431)
Changes in Current Assets and Liabilities:				
Accounts Receivable	(1,499,983)	(1,370,417)	(1,220,773)	(756,456)
Accounts Payable	(1,435,726)	532,093	(1,785,257)	2,030,888
Accrued Taxes	1,162,257	408,812	832,025	305,167
Accrued Interest	(1,019,444)	(488,681)	(12,994)	234,610
Unbilled Revenues	(601,800)	(419,545)	(304,469)	(96,014)
Employee Benefit Plans	680,706	741,655	954,331	988,293
Other-Net	53,056	19,249	979,411	420,440
	-----	-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	5,495,779	6,602,279	9,310,701	12,609,066
	-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:				
Utility Plant Expenditures*	(15,394,729)	(18,764,047)	(22,905,963)	(21,740,080)
Note Receivable	47,512	(1,644,308)	72,755	(1,638,345)
Preliminary Survey and Investigation Charges	(113,498)	(36,694)	(139,356)	(2,018,189)
Other-Net	(225,676)	(426,292)	(453,989)	(1,219,286)
	-----	-----	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(15,686,391)	(20,871,341)	(23,426,553)	(26,615,900)
	-----	-----	-----	-----

(continued)

	Nine Months Ended September 30, 1999 ----	September 30, 1998 ----	Twelve Months Ended September 30, 1999 ----	September 30, 1998 ----
CASH FLOWS FROM FINANCING ACTIVITIES:				
Redemption of Long-term Debt	(59,655)	(31,671)	(70,694)	(44,496)
Proceeds from Issuance of Long-term Debt	-	23,000,000	2,185,000	23,000,000
Short-term Bank Borrowings	-	3,935,299	(3,500,000)	3,935,299
Deferred Debt Issuance Expenses	(1,864)	(474,096)	(29,968)	(474,096)
Temporary Cash Investments-Restricted	7,083,321	(11,277,788)	8,803,824	(11,277,917)
Proceeds from Issuance of Common Stock-Net	803,459	1,855,942	13,235,973	2,159,163
Payment of Common Dividends	(4,348,788)	(3,697,527)	(5,638,274)	(4,911,122)
Payment of Preferred Dividends	(237,090)	(239,054)	(316,787)	(318,787)
Construction Advances and Contributions-Net	2,038,064	360,068	2,247,030	599,630
	-----	-----	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	5,277,447	13,431,173	16,916,104	12,667,674
	-----	-----	-----	-----
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,913,165)	(837,889)	2,800,252	(1,339,160)
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	9,388,822	2,513,294	1,675,405	3,014,565
	-----	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,475,657	\$ 1,675,405	\$ 4,475,657	\$ 1,675,405
	=====	=====	=====	=====
* Excludes Allowance for Funds Used During Construction				
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:				
Cash Paid During the Period for:				
Interest (net of amounts capitalized)	\$ 3,094,507	\$ 3,052,732	\$ 2,852,353	\$ 3,060,069
Income Taxes	\$ 2,322,350	\$ 2,206,125	\$ 3,279,200	\$ 2,806,125

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Middlesex Water Company (Middlesex) is the parent company and sole shareholder of Tidewater Utilities, Inc. (Tidewater), Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates, Inc. (USA), and Utility Service Affiliates (Perth Amboy) Inc. (USA-PA). Public Water Supply Company, Inc. (Public) and White Marsh Environmental Systems, Inc., are wholly owned subsidiaries of Tidewater. The financial statements for Middlesex and its wholly owned subsidiaries (the Company) are reported on a consolidated basis. All intercompany accounts and transactions have been eliminated.

The consolidated notes accompanying the 1998 Form 10-K are applicable to this report and, in the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of September 30, 1999 and the results of operations and its cash flows for the periods ended September 30, 1999 and 1998. Information included in the Balance Sheet as of December 31, 1998, has been derived from the Company's audited financial statements included in its annual report on Form 10-K for the year ended December 31, 1998.

NOTE 2 - REGULATORY MATTERS

On September 20, 1999, Tidewater Utilities, Inc. and Public Water Supply Company, Inc. jointly filed a petition with the Delaware Public Service Commission (PSC) for a base rate increase of \$1.7 million or 38.3%. The increase is necessary to cover additional capital improvements and increased operating and maintenance costs. As prescribed by PSC regulations, Tidewater has requested an interim rate increase, subject to refund, of 14.8%, effective November 19, 1999. The PSC is expected to address this issue on November 16, 1999. Concurrently with the rate increase request, an application was filed and approved by the PSC for a corporate merger of Tidewater and Public. The last increase in base rates for Tidewater and Public were in 1991 and 1992, respectively. A rate decision by the PSC is expected in the second quarter of 2000.

NOTE 3 - CAPITALIZATION

COMMON STOCK - During the three months ended September 30, 1999, 19,582 common shares (\$0.3 million) were issued under the Company's Restricted Stock Plan and Dividend Reinvestment and Common Stock Purchase Plan.

PREFERRED STOCK - In September, the number of authorized Preferred Stock, without par value, was reduced from 149,980 shares to 148,980 shares to account for the election to exercise the conversion privilege of 1,000 shares of the \$8.00 Series into 6,857 shares of the Company's common shares.

LONG-TERM DEBT - On November 5, 1999, the Company closed on a BPU approved \$4.5 million, 20 year loan from the State of New Jersey and the New Jersey Environmental Infrastructure Trust (Trust) through the New Jersey State Revolving Fund. The loan, which is secured by First Mortgage Bonds designated as Series Z and AA, is comprised of a \$2.15 million zero interest borrowing from the New Jersey Department of Environmental Protection and a \$2.35 million borrowing from the Trust with the interest rate varying from 5.25% to 5.75 %, depending on the maturity date. Final maturity for both series of Mortgage Bonds is August 1, 2019. The interest paid to bond holders is exempt from federal and New Jersey incomes taxes, but is subject to the Alternative Minimum Tax. The proceeds will be used to fund the 2000 and 2001 capital projects to clean and cement line previously unlined pipes and mains.

NOTE 4 - EARNINGS PER SHARE

Basic earnings per share (EPS) are computed on the basis of the weighted average number of shares outstanding. Diluted EPS assumes the conversion of both the Convertible Preferred Stock \$7.00 Series and the Convertible Preferred Stock \$8.00 Series.

BASIC:	(In Thousands)											
	Three Months Ended				Nine Months Ended				Twelve Months Ended			
	September 30,		September 30,		September 30,		September 30,		September 30,		September 30,	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	Income	Shares	Income	Shares	Income	Shares	Income	Shares	Income	Shares	Income	Shares
Net Income	\$2,781	4,932	\$2,348	4,358	\$6,846	4,916	\$5,185	4,326	\$8,182	4,795	\$6,559	4,310
PREFERRED DIVIDEND	(78)		(80)		(237)		(239)		(317)		(319)	
Earnings Applicable to Common Stock	\$2,703	4,932	\$2,268	4,358	\$6,609	4,916	\$4,946	4,326	\$7,865	4,795	\$6,240	4,310
BASIC EPS	\$ 0.55		\$ 0.52		\$ 1.34		\$ 1.14		\$ 1.64		\$ 1.45	
DILUTED:												
Earnings Applicable to Common Stock	\$2,703	4,932	\$2,268	4,358	\$ 6,609	4,916	\$ 4,946	4,326	\$7,865	4,795	\$6,240	4,310
\$7.00 Series Dividend	26	89	26	89	78	89	78	89	104	89	104	89
\$8.00 Series DIVIDEND	38	135	40	137	118	137	120	137	158	137	160	137
Adjusted Earnings Applicable to Common Stock	\$2,767	5,156	\$2,334	4,584	\$6,805	5,142	\$ 5,144	4,552	\$8,127	5,021	\$6,504	4,536
DILUTED EPS	\$ 0.54		\$ 0.51		\$ 1.32		\$ 1.13		\$1.62		\$ 1.43	

NOTE 5 - BUSINESS SEGMENT DATA

The Company has identified two reportable segments. One is the regulated business of collecting, treating and distributing water on a retail and wholesale basis to residential, commercial, industrial and fire protection customers in parts of New Jersey and Delaware. It also operates a regulated wastewater system in New Jersey. The Company is subject to regulations as to its rates, services and other matters by the States of New Jersey and Delaware with respect to utility service within these States. The other segment is the non-regulated contract services for the operation and maintenance of municipal water and wastewater systems. On January 1, 1999 the Company began operating the water and wastewater systems of the City of Perth Amboy, New Jersey under a service contract. The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 1 to the Consolidated Financial Statements. Inter-segment transactions relating to operational costs are treated as pass through expenses. Finance charges on inter-segment loan activities are based on interest rates that are below what would normally be charged by a third party lender.

Operations by Segments:	(Thousands of Dollars)					
	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	1999	1998	1999	1998	1999	1998

Revenues:						
Regulated	\$ 13,514	\$ 11,966	\$ 35,409	\$ 32,104	\$ 45,922	\$ 42,054
Non - Regulated	1,887	116	5,505	348	5,621	457
Inter-segment Elimination	(9)	(8)	(29)	(18)	(35)	(24)
Consolidated Revenues	\$ 15,392	\$ 12,074	\$ 40,885	\$ 32,434	\$ 51,508	\$ 42,487

Operating Income:						
Regulated	\$ 3,367	\$ 2,914	\$ 7,954	\$ 6,997	\$ 9,898	\$ 9,036
Non - Regulated	248	64	588	196	600	254
Inter-segment Elimination	--	--	--	--	--	--
Consolidated Operating Income	\$ 3,615	\$ 2,978	\$ 8,542	\$ 7,193	\$ 10,498	\$ 9,290

Depreciation/Amortization:						
Regulated	\$ 1,016	\$ 823	\$ 2,744	\$ 2,447	\$ 3,582	\$ 3,252
Non - Regulated	7	--	18	--	18	--
Inter-segment Elimination	--	--	--	--	--	--
Consolidated Depreciation/Amortization	\$ 1,023	\$ 823	\$ 2,762	\$ 2,447	\$ 3,600	\$ 3,252

Other Income:						
Regulated	\$ 928	\$ 894	\$ 2,970	\$ 1,929	\$ 3,672	\$ 2,289
Non - Regulated	--	--	--	--	--	--
Inter-segment Elimination	(584)	(314)	(1,166)	(713)	(1,289)	(944)
Consolidated Other Income	\$ 344	\$ 580	\$ 1,804	\$ 1,216	\$ 2,383	\$ 1,345

Interest Expense:						
Regulated	\$ 1,303	\$ 1,262	\$ 3,782	\$ 3,341	\$ 5,052	\$ 4,219
Non - Regulated	57	40	161	91	209	110
Inter-segment Elimination	(181)	(92)	(443)	(207)	(562)	(253)
Consolidated Interest Expense	\$ 1,179	\$ 1,210	\$ 3,500	\$ 3,225	\$ 4,699	\$ 4,076

Net Income:						
Regulated	\$ 2,993	\$ 2,546	\$ 7,142	\$ 5,585	\$ 8,517	\$ 7,106
Non - Regulated	191	24	427	106	392	144
Inter-segment Elimination	(403)	(222)	(723)	(506)	(727)	(691)
Consolidated Net Income	\$ 2,781	\$ 2,348	\$ 6,846	\$ 5,185	\$ 8,182	\$ 6,559

Capital Expenditures:						
Regulated	\$ 5,012	\$ 8,471	\$ 15,245	\$ 18,764	\$ 22,756	\$ 21,740
Non - Regulated	2	--	150	--	150	--
Inter-segment Elimination	--	--	--	--	--	--
Total Capital Expenditures	\$ 5,014	\$ 8,471	\$ 15,395	\$ 18,764	\$ 22,906	\$ 21,740

	As of	As of				
	September 30,	December 31,				
	1999	1998				

Assets:						
Regulated	\$ 225,202	\$ 219,014				
Non - Regulated	3,469	2,377				
Inter-segment Elimination	(20,717)	(17,890)				
Consolidated Assets	\$ 207,954	\$ 203,501				

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS - THREE MONTHS ENDED SEPTEMBER 30, 1999

Operating revenues for the quarter ended September 30, 1999 rose 27.5% or \$3.3 million over the same period in 1998. Better than half of the increase or \$1.8 million is due to the contract service revenues from the operations of the City of Perth Amboy's water and wastewater systems. Revenues from the May 1999 11.5% increase in Middlesex rates accounted for \$1.3 million with consumption and customer growth in Delaware contributing \$0.2 million. Record water usage during July and early August in New Jersey was completely offset by the statewide drought restrictions imposed by the Governor of New Jersey on August 6, 1999. Generally, these restrictions were subsequently lifted on September 27, 1999. At all times, Middlesex had adequate sources of water to supply its customers. This fact, along with the Company's objection to such a broad water restriction was communicated to State authorities.

Operating expenses increased for the quarter over last year's comparative period by \$2.7 million or 29.5%. Perth Amboy contract expenses were \$1.6 million. Together, purchased water and electric costs increased by \$0.2 million. Personnel costs rose \$0.2 million. The improvements to Middlesex primary treatment facility, the Carl J. Olsen Water Treatment Plant (CJO Plant), were placed in service July 1999 causing most of the \$0.2 million increase in depreciation expense. Other Taxes rose \$0.3 million as a result of higher revenue related taxes. Federal income taxes also increased \$0.3 million consistent with higher earnings for the period.

Other income fell \$0.2 million due to lower levels in the Allowance for Funds Used During Construction (AFUDC) and investment income. AFUDC was ceased once the CJO Plant was placed in service. Expenditures for the CJO Plant expenditures from October 1998 through 1999 lowered the amount of funds available for investment.

RESULTS OF OPERATIONS - NINE MONTHS ENDED SEPTEMBER 30, 1999

Operating revenues for the nine months ended September 30, 1999 rose \$8.5 million or 26% compared to the first nine months of 1998. The increase was made up of \$5.2 million from Perth Amboy contract revenues, \$2.2 million due to rate increases in New Jersey, \$0.6 million from higher consumption in New Jersey and \$0.5 million from customer growth in Delaware.

Offsetting some of the higher revenues were increased operating expenses of \$7.1 million. The primary components of this 28.1% increase are Perth Amboy contract expenses of \$4.8 million, \$0.4 million for purchased water and power and personnel costs of \$0.6 million. Almost two thirds of the depreciation expense increase of \$0.3 million is due to the CJO Plant additions. Other Taxes rose \$0.7 million mostly due to higher revenue related taxes. Federal income taxes also increased \$0.3 million consistent with higher earnings for the period.

A higher level of AFUDC calculated on CJO Plant capital expenditures for the first nine months of 1999 over 1998 added \$0.7 million to other income. This more than offset lower investment related earnings for the period.

Debt service related to the Series W and Y First Mortgage Bonds, issued in March and November 1998, respectively, accounted for the year to date increase in interest expense.

Basic earnings per share increased \$0.20 and diluted earnings per share rose \$0.19. The per share dilution for the nine months ended September 30, 1999 is attributable to the two series of convertible preferred stock currently outstanding.

RESULTS OF OPERATIONS - TWELVE MONTHS ENDED SEPTEMBER 30, 1999

Operating revenues for the twelve months ended September 30, 1999 increased \$9.0 million or 21.2%. Contributing to this increase were Perth Amboy contract revenues of \$5.2 million, rate increase related revenues of \$2.7 million from New Jersey customers, increased consumption of \$0.5 million and growth in our Delaware service area amounted to \$0.6 million.

Total operating expenses increased \$7.8 million or 23.5%. Expenses incurred to operate the Perth Amboy water and wastewater systems amounted to \$4.9 million. Other factors that pushed expenses up were salaries and wages of \$0.9 million, purchased water of \$0.3 million and purchased power costs of \$0.2 million. Depreciation expense rose \$0.3 million. Other taxes increased \$0.8 million mostly due to higher revenue related taxes.

A higher level of AFUDC calculated on CJO Plant capital expenditures added almost \$1.0 million to other income and investment earnings increased to push other income up to just over \$1.0 million.

Basic and diluted earnings per share grew at a lower percentage versus net income due to the effect of the December 1998 common stock offering of 515,000 shares.

CAPITAL RESOURCES

The Company's capital program for 1999 is estimated to be \$24.1 million and includes \$15.0 million for the remaining expenditures for the upgrade of the CJO Plant, \$2.0 million for the RENEW Program, which is our program to clean and cement line approximately nine miles of unlined mains in the Middlesex System. There is a total of approximately 170 miles of unlined mains in the 670 mile Middlesex System. The capital program also includes \$3.3 million for water system additions and improvements for our Delaware systems and \$3.8 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consists of \$1.6 million for mains, \$0.7 million for service lines, \$0.4 million for meters, \$0.3 million for hydrants and \$0.8 million for various other items.

LIQUIDITY

Proceeds from the \$23.0 million Series W First Mortgage Bonds and the December 1998. \$12.7 million common stock offering have been used to finance the CJO Plant expenditures in 1999. Middlesex issued \$2.2 million of First Mortgage Bonds in November 1998 through the New Jersey State Revolving Fund (SRF) to cover the cost of the 1999 RENEW Program. The capital program in Delaware will be financed through a combination of a capital contribution from Middlesex and long-term debt financing from either a financial institution or the Company. Other capital expenditures will be financed through internally generated funds and sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan (DRP). Capital expenditures of \$15.4 million have been incurred in the nine months ended September 30, 1999. The Company may also utilize short-term borrowings through \$28.0 million of available lines of credit it has with three commercial banks for working capital purposes. At September 30, 1999, there were \$1.0 million of loans outstanding against the lines of credit.

ACCOUNTING STANDARDS

In June 1998, The Financial Accounting Standards Board (FASB) issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts. The Company is currently evaluating the requirements of the accounting standard, which is required to be adopted in the first quarter of 2001.

YEAR 2000 READINESS

The Company, through its year 2000 (Y2K) Committee, continues to advance in its efforts to ensure that our ability to provide service will not be interrupted by Y2K related problems.

Responses to our critical vendor questionnaire have reached 100%. Critical vendors include electric utilities, chemical companies, bulk water suppliers and telecommunications providers. Each vendor has indicated their level of readiness. Middlesex contingency plans have been formalized and were submitted to the BPU in August 1999. Contingency plans for our Delaware water utilities have been submitted to the Delaware Public Service Commission. The costs to implement these plans are currently projected to be less than \$0.1 million.

The Y2K Committee has completed its inventory of equipment that may contain embedded chips. Y2K compliance statements have been received for all of the manufactured equipment in question. In each instance the manufacturer has indicated that the equipment or components in use are not Y2K sensitive. Based on the information received, Y2K testing for the respective equipment is not being considered. The ability of our financial system to recognize post 1999 dates was tested and determined to be compliant.

Our customer billing and information system has been tested and classified as Y2K compliant. All customers have received notification of our plans to ensure service as usual on January 1, 2000.

FORWARD LOOKING INFORMATION

Certain matters discussed in this report on Form 10-Q are "forward-looking statements" intended to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such statements may address future plans, objective, expectations and events concerning various matters such as capital expenditures, earnings, litigation, growth potential, rate and other regulatory matters, liquidity and capital resources and accounting matters. Actual results in each case could differ materially from those currently anticipated in such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES OF MARKET RISK

The Company is subject to the risk of fluctuating interest rates in the normal course of business. Our policy is to manage interest rates through the use of fixed rate long-term debt and, to a lesser extent, short-term debt. The Company's interest rate risk related to existing fixed rate, long-term debt is not material due to the term of the majority of our First Mortgage Bonds, which have final maturity dates ranging from 2009 to 2038. Over the next twelve months approximately \$0.1 million of the current portion of three existing long-term debt instruments will mature. Applying a hypothetical change in the rate of interest charged by 10% on those borrowings would not have a material effect on earnings.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings
None.

Item 2. Changes in Securities
None.

Item 3. Defaults upon Senior Securities
None.

Item 4. Submission of Matters to a Vote of Security Holders
None.

Item 5. Other Information
None

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
- No. 10.13, Copy of Supplemental Executive Retirement Plan, As amended
 - No. 10.15(a), Employment Agreement Between Middlesex Water Company and J. Richard Tompkins
 - No. 10.15(b), Employment Agreement Between Middlesex Water Company and Walter J. Brady
 - No. 10.15(c), Employment Agreement Between Middlesex Water Company and A. Bruce O'Connor
 - No. 10.15(d), Employment Agreement Between Middlesex Water Company and Marion F. Reynolds
 - No. 10.15(e), Employment Agreement Between Middlesex Water Company and Richard A. Russo
 - No. 10.15(f), Employment Agreement Between Middlesex Water Company and Dennis G. Sullivan
 - No. 10.15(g), Employment Agreement Between Middlesex Water Company and Ronald F. Williams
 - No.11, Statement Regarding Computation of Per Share Earnings
 - No. 27, Financial Data Schedule.
- (b) Reports on Form 8-K: None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

MIDDLESEX WATER COMPANY
(Registrant)

/s/ A. BRUCE O'CONNOR

A. Bruce O'Connor

Vice President and Controller

Date: November 12, 1999

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

AMENDED AS OF FEBRUARY 25, 1999

SECTION 1

NAME

The Deferred Compensation Plan set forth herein shall be known as the Middlesex Water Company Supplemental Executive Retirement Plan.

SECTION 2

PURPOSE

The purposes of the Plan are to assist the Company in attracting and retaining the vital and valuable services of certain key employees until their retirement; to induce the key employees to utilize their best efforts to maintain and enhance the business of the Employer and to provide certain supplemental benefits to the key employees. The Plan is intended to constitute an unfunded non-qualified deferred retirement plan.

The Company established the Plan to provide designated senior executives additional retirement income to supplement the ERISA qualified retirement plan and Social Security. The Plan, by design, is intended to provide enough additional income for the executive retiring at Normal Retirement Age to bring total retirement income up to seventy-five (75%) percent of the participant's compensation during his last year of employment, exclusive of bonuses and director's fees.

SECTION 3

DEFINITIONS

For purposes of the Plan, the following words and phrases shall have the following meanings unless a different meaning is plainly required by the context. Wherever used, the masculine pronoun shall include the feminine pronoun and the feminine pronoun shall include the masculine pronoun and the singular shall include the plural and the plural shall include the singular.

3.1 "Actuarial Equivalent" shall mean a benefit of equivalent value when computed on the basis of actuarial tables approved by the Committee.

3.2 "Beneficiary" shall mean the person or persons designated to receive any benefits under the Plan in the event of a Participant's death.

3.3 "Board of Directors" shall mean the Board of Directors of Middlesex Water Company.

3.4 "Change in Control" shall be deemed to have occurred if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board of Directors elected in a 12-month period or less are so elected without the approval of a majority of the Board of Directors as constituted at the beginning of such period; or liquidation or dissolution of the Company.

3.5 "Committee" shall mean the Executive Development and Compensation Committee of the Board of Directors or others appointed by that Committee or the Board of Directors to administer the Plan.

3.6 (a) "Compensation" shall mean the greater of a Participant's Earnings for (i) the final full calendar year of employment or (ii) such Participant's highest consecutive five (5) year average of Earnings during the ten (10) year period prior to the year of such Participant's termination.

(b) "Earnings" shall mean the aggregate salary paid by the Company to a Participant during a calendar year, exclusive of bonuses; awards under the Company's 1989 Restricted Stock Plan; employee benefits; automobile allowance; and any fees paid to such Participant as remuneration for serving as a Director of the Company.

3.7 "Company or Employer" shall mean Middlesex Water Company, its successors and assigns.

3.8 "Company Pension Plan Annual Benefit"--(a) "Actual Company Pension Plan Annual Benefit" shall mean the actual annual benefit payable to a Participant at the Participant's Normal Retirement Date under the Middlesex Water Company Pension Plan, as amended from time to time, without regard to vesting and assuming the normal form of benefit, namely, a life only annuity, (b) "Projected Company Pension Plan Annual Benefit" shall mean the projected annual benefit that would be payable to a Participant under the Middlesex Water Company Pension Plan, as amended from time to time, without regard to vesting and assuming the normal form of benefit, namely, a life only annuity, such benefit calculated as if such Participant continued employment until Participant's Normal Retirement Date at the same rate of earnings as in Participant's last full calendar year of employment.

3.9 "Early Retirement Date" shall mean the first day of any month coincident with or following the later of the date on which a Participant attains age sixty-two (62) or has completed ten (10) years of service (that is, Early Retirement under this Plan requires a minimum age of sixty-two (62) and at

least ten (10) years of service).

3.10 "Normal Retirement Date" shall mean the later of the date on which a Participant attains age sixty-five (65) or has completed ten (10) years of service (that is, Normal Retirement under this Plan requires a minimum age of sixty five (65) and at least ten (10) years of service).

3.11 "Other Employer Retirement Benefits" shall mean any benefits to which a Participant is entitled under any plans, qualified and non-qualified, funded by any previous employer of Participant.

3.12 "Participant" shall mean any person who has been designated by the Board of Directors to participate in the Plan in accordance with the provisions herein set forth.

3.13 "Plan" shall mean the "Middlesex Water Company Supplemental Executive Retirement Plan."

3.14 "Plan Year" shall mean the twelve (12) month period beginning each January 1, and ending on each December 31.

3.15 "Primary Social Security Benefit" shall mean the annual primary insurance amount to which a Participant is entitled under the Federal Old-Age and Survivors Insurance System (Social Security) at Participant's Normal Retirement Date; provided, however, that if, after the commencement of benefits, the Primary Social Security Benefit to which the Participant is entitled is reduced from the amount used to calculate Participant's benefits, that is, either (a) the amount in effect at Participant's Normal Retirement Date, or (b) the amount calculated to be in effect at Participant's Normal Retirement Date, as the case may be, then in that case, the Primary Social Security Benefit shall be the reduced amount and the amount of Participant's benefit under the Plan shall be recalculated from the time of the reduction forward using the reduced Primary Social Security Benefit. If a Participant terminates employment prior to Participant's Normal Retirement Date, such Participant's Earnings for the last Plan year in which he was employed shall be used for determining the Primary Social Security Benefit to which the Participant would be entitled for the purposes of this Plan. (Such determination shall be made immediately prior to the commencement of SUCH PARTICIPANT'S BENEFITS.)

3.16 SERVICE

(a) "Month of Service" shall mean a calendar month during any part of which a person was employed or was deemed employed by the Company.

(b) "Year of Service" shall mean twelve (12) Months of Service.

SECTION 4

ADMINISTRATION OF THE PLAN

4.1 ASSIGNMENT OF ADMINISTRATIVE AUTHORITY

The Board of Directors shall appoint a Committee to administer the Plan. The Committee may consist of directors, officers, employees, or any other individuals, who, upon acceptance of such appointment, shall serve at the pleasure of the Board of Directors. Any member may resign by delivering his written resignation to the Board of Directors and to the Committee. Vacancies in the Committee arising from resignation, death, or removal shall be filled by the Board of Directors.

4.2 ORGANIZATION AND OPERATION OF THE COMMITTEE

(a) The Committee shall have full power and authority to interpret and construe the Plan and determine all questions of the status and rights of the Participants hereunder, and its interpretation, construction or determination, as the case may be, shall be final and conclusive on both the Company and the Participants and their respective successors, assigns, personal representatives and Beneficiaries.

(b) The Committee shall act by a majority of its members unless unanimous consent is required by the Plan or by unanimous approval of its members if there are two or fewer members in office at the time. In the event of a Committee deadlock, the Committee shall determine the method for resolving such deadlock. If there are two or more Committee members, no member shall act upon any question pertaining solely to himself, and the other member or members shall make any determination required by the Plan in respect thereof.

(c) The Committee may authorize any one or more of its members or an officer of the Company to execute documents on behalf of the Committee.

(d) The Committee may, by unanimous consent, delegate specific authority and responsibilities to one or more of its members. The member or members so designated shall be solely liable, jointly and severally, for their acts or omissions with respect to such delegated authority and responsibilities. Members not so designated shall be relieved from liability for any act or omission resulting from such delegation.

4.3 AUTHORITY AND RESPONSIBILITY

The Committee shall have full authority and responsibility for administration of the Plan. Such authority and responsibility shall include, but shall not be limited to the following:

(a) Appointment of qualified accountants, consultants, administrators, counsel or investment manager, or other persons it deems necessary or advisable,

who, except for investment managers, shall serve the Committee as advisors only and shall not exercise any discretionary authority, responsibility or control with respect to the management or administration of the Plan.

Any action of the Committee on the basis of advice, opinion, reports, etc. furnished by such qualified accountants consultants, administrators, and counsel shall be the sole responsibility of the Committee.

Members of the Committee shall not be precluded from serving the Committee in any other capacity, provided any compensation paid for such services is reasonable.

(b) Determination of all benefits, and resolution of all questions arising from the administration, interpretation and application of the Plan, which authority shall be broadly construed.

(c) With the approval of the Board of Directors, waiver in whole or in part of any reduction in benefits including reduction due to early retirement, deferred retirement or termination.

(d) Adoption of forms and regulations for the administration of the Plan.

(e) Remedy of all inequity resulting from incorrect information received or communicated, or of administrative error.

(f) Settlement or compromise of any claims or debt arising from the operation of the Plan and the commencement of any legal actions or administrative proceedings.

4.4 RECORDS AND REPORTS

The Committee shall keep a record of its proceedings and acts and shall keep books of account, records and other data necessary for the proper administration of the Plan.

4.5 REQUIRED INFORMATION

The Company, Participants or Beneficiaries entitled to benefits shall furnish forms and any information or evidence as requested by the Committee for the proper administration of the Plan. Failure on the part of any Participant or Beneficiary to comply with such request within a reasonable period of time shall be sufficient grounds for delay in the payment of benefits until the information or evidence requested is received.

4.6 PAYMENT OF EXPENSES OF PLAN

The expenses of the Committee in connection with the administration of the Plan shall be the responsibility of the Company.

4.7 INDEMNIFICATION

The Company shall indemnify and hold the members of the Committee, and any officer of the Company acting under the Plan, harmless against liability incurred in the administration of the Plan, except for the gross negligence or willful misconduct of any member.

SECTION 5

ELIGIBILITY FOR PARTICIPATION

The following persons, and such other persons as may be designated from time to time by the Board of Directors upon such terms and conditions as the Board of Directors shall agree upon, shall be eligible to participate in the Plan:

- Ernest C. Gere
- J. Richard Tompkins
- Walter J. Brady
- Carolina M. Schneider
- Marion F. Reynolds
- Dennis G. Sullivan
- Richard A. Russo
- A. Bruce O'Connor
- Ronald F. Williams

SECTION 6

RETIREMENT BENEFITS

6.1 NORMAL RETIREMENT

A Participant who retires on his Normal Retirement Date, shall be entitled to an annual retirement benefit equal to seventy-five (75%) percent of his Compensation, reduced by his Primary Social Security Benefit and further reduced by his Actual Company Pension Plan Annual Benefit and any Other Employer Retirement Benefits

6.2 EARLY RETIREMENT

A Participant who retires on or after his Early Retirement Date but prior to his Normal Retirement Date shall be entitled to receive an annual retirement benefit equal to seventy-five (75%) percent of his Compensation, multiplied by a fraction, the numerator of which shall be the Months of Service completed by the Participant at his Early Retirement Date and the denominator of which shall be the Months of Service the Participant would have completed had he retired at his Normal Retirement Date, reduced by his Primary Social Security Benefit and his Projected Company Pension Plan Annual Benefit, and any Other Employer Retirement Benefits and, unless waived by the Committee with the approval of the Board, further reduced by one-half of one (0.5%) percent for each calendar month between the commencement of benefits hereunder and the Participant's Normal Retirement Date.

6.3 DEFERRED RETIREMENT

A Participant may remain in the employ of the Employer after his Normal Retirement Date for such period or periods as shall be approved by the Employer. Upon actual retirement, such Participant shall be entitled to an annual retirement benefit equal to seventy-five (75%) percent of his Compensation determined as of his Normal Retirement Date, unless a later date is otherwise provided by the Committee with the approval of the Board, reduced by his Primary Social Security Benefit, and further reduced by his Projected Company Pension Plan Annual Benefit and any Other Employer Retirement Benefits.

6.4 TERMINATION

If a Participant (a) shall have attained age of at least fifty-five (55) years; (b) shall have completed at least ten (10) years of service; and (c) shall terminate his employment with the Employer prior to his Normal Retirement Date, Early Retirement Date, or death, then such Participant shall be entitled to an annual retirement benefit, to commence on his Normal Retirement Date. This Annual Retirement Benefit shall be equal to seventy-five (75%) percent of his Compensation, multiplied by a fraction, the numerator of which shall be the Months of Service completed by the Participant at termination and the denominator of which shall be the Months of Service the Participant would have completed had he retired at his Normal Retirement Date, reduced by his Primary Social Security Benefit and his Projected Company Pension Plan Annual Benefit, and any Other Employer Retirement Benefits.

6.5 UPON OTHER TERMINATION OF EMPLOYMENT

(a) The provisions of Subsection 6.5(b) below shall apply if a Participant leaves the Company's employ in the event of a Change in Control, under any of the following circumstances, wherein, as a direct or indirect result of a Change in Control, and within five (5) years thereof: (a) Participant's employment with Company is terminated by Company; (b) the nature and scope of Participant's duties or activities with the Company or its successor are reduced to a level significantly below that which Participant had enjoyed immediately prior to the Change in Control; or (c) Participant's base salary is reduced; or (d) if the Change in Control is preceded by the Company terminating Participant's employment with the Company without cause during the six-month period prior to the occurrence of the Change in Control.

(b) If a Participant leaves the Company's employ as described in Section 6.5(a) above, the Participant shall be entitled to receive an annual retirement benefit equal to seventy-five (75%) percent of his Compensation, reduced by his Primary Social Security Benefit and his Projected Company Pension Plan Benefit, and any Other Employer Retirement Benefits, except that for the purposes of this Subsection 6.5(b) the calculation of "Compensation" shall mean the greatest of the Participant's Earnings for (i) the Participant's final full calendar year of employment, or (ii) such Participant's highest consecutive five (5) year average of Earnings during the ten (10) year period prior to the year of such Participant's termination, or (iii) a calculation of Participant's Earnings for the year prior to the year Participant reaches the age of sixty-five (65) assuming that Participant's salary increased each year after Participant's termination by the Consumer Price Index plus one (1) percentage point.

c) Notwithstanding the provisions of Subsection 7.1 (pursuant to which, in the event of termination as described in Subsection 6.5(a), the Participant's benefit would be paid at a later date), and instead of receiving a benefit in the amount described in Subsection 6.5(b) immediately above, if a Participant leaves the Company's employ as described in Subsection 6.5(a), the Participant, at Participant's sole option, may elect to receive a benefit in an amount equal to seventy-five percent (75%) of his Compensation, multiplied by a fraction, the numerator of which shall be the Months of Service completed by the Participant at his termination date and the denominator of which shall be the Months of Service the Participant would have completed had he retired at his Normal Retirement Date; reduced by his Primary Social Security Benefit and his Projected Company Pension Plan Annual Benefit and any Other Employer Retirement Benefits. Such benefit shall commence within sixty (60) days after the Participant terminates his employ with the Employer.

6.6 OTHER EMPLOYER RETIREMENT BENEFITS

As indicated in Subsections 6.1, 6.2, 6.3, 6.4 and 6.5, the benefits set forth in this Section 6 are reduced by any Other Employer Retirement Benefits. These include agreements, if any, entered into in connection with the Participant's hire. Any such agreement shall be attached to this Plan document as an Exhibit.

6.7 NORMAL FORM OF PAYMENT

Unless a Participant elects and the Committee approves an alternative form of payment as provided under Subsection 7.4, he shall receive his annual

retirement benefit each year for fifteen (15) years payable in monthly installments. In the event a Participant dies after commencement of his retirement benefit payments in the normal form of payment, then the balance of payments shall be paid to his designated Beneficiary.

6.8 For purposes of this Section 6, if a termination of a Participant is the result of such Participant's fraud embezzlement or proven dishonesty of the type or level punishable by termination, then such Participant shall not be entitled to any benefits hereunder. If after commencement of benefits to a Participant the Company determines that such Participant had committed an act or acts of the type or level punishable by termination including fraud embezzlement, or proven dishonesty, while in the employ of the Company, then such Participant's benefits shall be terminated.

SECTION 7

DISTRIBUTION OF BENEFITS

7.1 NORMAL RETIREMENT; DEFERRED RETIREMENT; TERMINATION

Except as provided in Subsection 7.2, and, except as provided in Subsection 6.5(c) concerning a Change in Control termination, a Participant's annual retirement benefit shall commence within sixty (60) days after the later of (a) the Participant's Normal Retirement Date or (b) the Participant's retirement or termination of employment with the Employer.

7.2 EARLY RETIREMENT

When a Participant Retires at or after his Early Retirement Date and before his Normal Retirement Date, his annual retirement benefits shall commence within sixty (60) days after the Participant terminates his employ with the Employer.

7.3 METHOD OF PAYMENT

Unless a Participant elects an alternative form of payment under Subsection 7.4, he shall receive his annual retirement benefit in the normal form of payment, as provided under Subsection 6.7.

7.4 Alternative Form of Payment

With the approval of the Committee, a Participant may elect to receive his retirement benefit, as determined under Section 6, in any one of the following alternative forms of payment;

(a) Single life annuity in equal monthly installments of the Actuarial Equivalent of the Participant's retirement benefit payable to the Participant until his death.

(b) A joint and fifty (50%) percent survivor annuity which shall be the Actuarial Equivalent of the Participant's retirement benefit. Under the joint and fifty (50%) percent survivor annuity, a reduced retirement benefit shall be paid to the Participant for his lifetime, and the Participant's spouse, if surviving at the Participant's death, shall be entitled to receive thereafter a lifetime survivorship benefit in a monthly amount equal to fifty (50%) percent of the monthly amount which had been paid to the Participant.

(c) A joint and one-hundred (100%) percent survivor annuity which shall be the Actuarial Equivalent of the Participant's retirement benefit. Under the joint and one-hundred (100%) percent survivor annuity, a reduced retirement benefit shall be paid to the Participant for his lifetime, and the Participant's spouse, if surviving at the Participant's death, shall be entitled to receive thereafter a lifetime survivorship benefit in a monthly amount equal to one-hundred (100%) percent of the monthly amount which had been paid to the Participant.

(d) A single life annuity with a ten (10) year certain period which shall be the Actuarial Equivalent of the Participant's retirement benefit.

(e) A single life annuity with a fifteen (15) year certain period which shall be the Actuarial Equivalent of the Participant's retirement benefit.

7.5 EACH PARTICIPANT SHALL HAVE THE RIGHT OF ELECT, REVOKE OR CHANGE ANY ELECTION UNDER SUBSECTION 7.4 AT ANY TIME UP TO AND INCLUDING THE SIXTIETH (60TH) day prior to the commencement of his benefits.

SECTION 8

DEATH BENEFITS AND BENEFICIARY DESIGNATION

8.1 Upon the death of a Participant prior to the commencement of any retirement benefit payments to him and prior to his termination of employment, Participant's Designated Beneficiary shall be entitled to receive the following:

(a) A lump sum payment equal to three times such Participant's annualized Earnings at date of death, reduced by the proceeds from any life insurance contracts on the life of the Participant the premiums on which are paid by the Employer pursuant to a Company group life insurance plan. (For example, if the beneficiary of a Participant is entitled to receive a payment equal to one and one-half times the Participant's Earnings from the proceeds of a life insurance policy, the premiums of which are paid by the Company, the beneficiary would also receive a payment equal to one and one-half times the Participant's Earnings under this Plan.); and

(b) A lump sum payment equal to the present value of the retirement benefit to which the Participant would have been entitled under Subsection 6.4, determined as if he had terminated his employment on the date of his death

assuming Participant had also satisfied the conditions of having attained the age of fifty-five (55) and having completed at least ten (10) years of service. For purposes of this Subsection 8.1(b) only, if the Participant is married at the time of his death, the Primary Social Security Benefit shall be defined as the annual benefit payable to the widow or widower of the Participant from Social Security. For purposes of this Subsection 8.1(b) only, the Projected Company Pension Plan Annual Benefit shall be defined as the annual pre-retirement death benefit payable to a surviving spouse at the earliest pension commencement date permissible under the Middlesex Water Company Pension Plan.

For purposes of this Subsection 8.1(b) only, if the Participant is unmarried at the time of his death, the Primary Social Security Benefit and Actual Company Pension Plan Annual Benefit shall be determined as if the Participant were married to a spouse of the same age as the Participant.

In determining the present value of this portion of a Participant's death benefit the following interest rate shall be used:

The prime lending rate, as of the January 1 preceding the date of the Participant's death, of the Company's primary lending institution. The present value of this portion of the Participant's death benefit shall be determined assuming that the annual retirement benefit payable under this Subsection 8.1(b) would be payable immediately upon the Participant's death.

8.2 Upon the death of a Participant subsequent to the commencement of any retirement benefit payments to him, the only payments to which a Participant or Beneficiary shall be entitled shall be those benefit payments (if any) being made in accordance with the method of payment then in effect under Section 7.

8.3 Upon the death of a Participant subsequent to retirement or termination, including retirement or termination pursuant to Subsections 6.2, 6.3, 6.4 and 6.5, and prior to the commencement of any retirement benefit payments to him payable under the applicable Subsection, the Participant's Designated Beneficiary shall be entitled to a lump sum payment equal to the present value of the retirement benefit to which the Participant would have been entitled under the applicable Subsection. For purposes of this Section 8.3 only, if the Participant is married at the time of his death, the Primary Social Security Benefit shall be defined as the annual benefit payable to the widow or widower of the Participant from Social Security and the Projected Company Pension Plan Annual Benefit shall be defined as the annual pre-retirement death benefit payable to a surviving spouse at the earliest pension commencement date permissible under the Middlesex Water Company Pension Plan.

For purposes of this Section 8.3 only, if the Participant is unmarried at the time of his death, the Primary Social Security Benefit and Actual Company Pension Plan Annual Benefit shall be determined as if the Participant were married to a spouse of the same age as the Participant.

In determining the present value of this portion of a Participant's death benefit the following interest rate shall be used:

The prime lending rate, as of the January 1 preceding the date of the Participant's death, of the Company's primary lending institution. The present value of this portion of the Participant's death benefit shall be determined assuming that the annual retirement benefit payable under this Section 8.3 would be payable immediately upon the Participant's death. By way of clarification, a Participant who terminates employment pursuant to Section 6.4 shall not be entitled to the death benefits described in Section 8.1(a), generally describing a lump sum payment equal to three times annualized earnings, reduced by certain life insurance proceeds.

8.4 Each Participant may designate a Beneficiary and/or successor Beneficiary to receive the benefits payable in the event of his death. Such designations may be changed from time to time by the Participant. All such designations and changes shall be made on an appropriate form and shall be filed with the Committee. In the event the Participant fails to exercise his right to designate a Beneficiary or if no designated Beneficiary shall survive the Participant, then such benefits shall be paid to Participant's estate.

SECTION 9

FUNDING OBLIGATION OF COMPANY

9.1 COMPANY CONTRIBUTIONS

(a) Although it is the intention of the Company to maintain adequate reserves for the satisfaction of its obligations under the Plan, nothing contained herein shall create an obligation on the part of the Company to set aside or earmark any monies or other assets specifically for this purpose. It is intended that these benefits be in the form of an unfunded obligation of the Company.

(b) Should the Company elect to set aside or earmark any monies or other assets specifically for the purpose of satisfying its obligation under the Plan, all such assets shall remain the assets of the Company, shall remain subject to the claims of the general creditors of the Company, and shall not be segregated from the general assets of the Company. Should the Company elect to purchase life insurance or annuity contracts as a means of satisfying its obligations under this Plan, in whole or in part, it reserves the absolute right in its sole discretion to terminate any such contracts, as well as any other funding program, at any time, in whole or in part. At no time shall a Participant, any designated Beneficiary or the Participant's estate have any right, title or interest in or to any specific fund or assets of the Company including but not limited to any life insurance or annuity contracts which the Company may, at any time, have purchased. As to any claim for benefits under this Plan, the Participant, any designated Beneficiary and/or the Participant's

estate, shall be a creditor of the Company in the same manner as any other creditor having a general claim for unpaid compensation.

(c) Nothing herein shall prevent the Company from establishing a trust or other structure to fund the obligation that may arise under the Plan.

(d) Upon the occurrence of a Change in Control as defined in Section 3.4, the Company will fund a trust substantially in the form attached hereto as Exhibit D to fully provide for the Company's obligations to participants under this Plan.

SECTION 10

AMENDMENT AND TERMINATION

10.1 AMENDMENT

Subject to Subsection 10.3, the Company may amend or modify the Plan in whole or in part, either retroactively or prospectively, at any time.

10.2 TERMINATION

Subject to Subsection 10.3, the Company may terminate the Plan at any time.

10.3 (a) In the event of any amendment, modification or termination of the Plan there shall be no reduction in the amount of benefits then being paid to any Participant.

(b) In the event of any amendment, modification or termination of the Plan, each Participant still employed shall be entitled to those benefits to which he would have been entitled under Section 6 had he then terminated his employment.

SECTION 11

GENERAL PROVISIONS

11.1 LIMITATION OF RIGHTS

Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the purchase of any policy, nor the payment of any benefits shall be construed as giving any Participant, Beneficiary, or any other person whatsoever, any legal or equitable right against the Company or the Committee unless such right shall be specifically provided for in the Plan or conferred by affirmative action of the Committee or the Company in accordance with the terms and provisions of the Plan; or as giving any Participant or any other employee of the Company the right to be retained in the service of the Company, and all Participants and other employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

11.2 CONSTRUCTION OF AGREEMENT

The Plan shall be construed according to the laws of the State of New Jersey, and all provisions hereof shall be administered according to, and its validity shall be determined under, the laws of such State except where pre-empted by Federal Law.

11.3 TITLE TO ASSETS

No Participant, Beneficiary or any other person shall have any legal or equitable right or interest in the funds set aside by the Company, or otherwise received or held under the Plan, except as expressly provided in the Plan, and no Participant, Beneficiary or any other person shall be deemed to possess a right to any assets except as herein provided.

11.4 SEVERABILITY

Should any provision of the Plan or any regulations adopted thereunder be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions or regulations unless such invalidity shall render impossible or impractical the functioning of the Plan and, in such case, the appropriate parties shall immediately adopt a new provision or regulation to take the place of the one held illegal or invalid.

11.5 TITLES AND HEADINGS

The titles and headings of the Sections in this instrument are for convenience of reference only and, in the event of any conflict, the text rather than such titles or headings shall control.

11.6 NON-ALIENATION OF BENEFITS

No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any such action shall be void for all purposes of the Plan. No benefit shall in any manner be subject to the debts, contracts, liabilities, engagements, or torts of any person, nor shall it be subject to attachments or other legal process for or against any person, except to such extent as may be required by law.

SECTION 12

EFFECTIVE DATE

This plan became effective on January 1, 1984.

TO THE

MIDDLESEX WATER COMPANY

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Additional Reduction - Marion Reynolds

(a) Subject to the conditions contained in Section 6 of this Plan, Marion Reynolds shall be entitled under Subsections 6.1, 6.3, 6.4 and 6.5 of the Plan to an annual benefit as calculated under the respective Subsection. The reduction for her Other Employer Retirement Benefits shall be for her deferred vested lifetime benefit under the Pension Plan of Public Service Electric and Gas Company deemed to be \$1,559.03 per month beginning at age 65.

(b) Subject to the conditions contained in Section 6 of the Plan, Marion Reynolds shall be entitled under Subsection 6.2 of the Plan to an annual benefit as calculated under the said Subsection 6.2. The reduction for her Other Employer Retirement Benefits shall be for her deferred vested lifetime benefit under the Pension Plan of Public Service Electric and Gas Company deemed to be \$1,559.03 per month beginning at age 65. This reduction shall be applied before multiplying the annual benefit by the fraction contained in Subsection 6.2 of the Plan.

EXHIBIT B

TO THE

MIDDLESEX WATER COMPANY

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Additional Reduction - Richard A. Russo

(a) Subject to the conditions contained in Section 6 of this Plan, Richard A. Russo shall be entitled under Subsections 6.1, 6.3, 6.4 and 6.5 of the Plan to an annual benefit as calculated under the respective Subsection. The reduction for his Other Employer Retirement Benefits shall be 50% of his deferred vested lifetime benefit under the pension plan of the City of Trenton, his former employer, to be paid as a single life annuity in equal monthly installments.

(b) Subject to the conditions contained in Section 6 of the Plan, Richard A. Russo shall be entitled under Subsection 6.2 of the Plan to an annual benefit as calculated under the said Subsection 6.2. The reduction for his Other Employer Retirement Benefits shall be 50% of his deferred vested lifetime benefit under the pension plan of the City of Trenton, his former employer, to be paid as a single life annuity in equal monthly installments. This reduction shall be applied before multiplying the annual benefit by the fraction contained in Subsection 6.2 of the Plan.

EXHIBIT C

TO THE

MIDDLESEX WATER COMPANY

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Additional Reduction - Ronald F. Williams

(a) Subject to the conditions contained in Section 6 of this Plan, Ronald F. Williams shall be entitled under Subsections 6.1, 6.3, 6.4 and 6.5 of the Plan to an annual benefit as calculated under the respective Subsection. The reduction for his Other Employer Retirement Benefits shall be 50% of his deferred vested lifetime benefit under the pension plan of Consumers New Jersey Water Company, his former employer, deemed to be paid as a single life annuity in equal monthly installments.

(b) Subject to the conditions contained in Section 6 of the Plan, Ronald F. Williams shall be entitled under Subsection 6.2 of the Plan to an annual benefit as calculated under the said Subsection 6.2. The reduction for his Other Employer Retirement Benefits shall be 50% of his deferred vested lifetime benefit under the pension plan of the Consumers New Jersey Water Company, his former employer, deemed to be paid as a single life annuity in equal monthly installments. This reduction shall be applied before multiplying the annual benefit by the fraction contained in Subsection 6.2 of the Plan.

This Change in Control Termination Agreement (the "Agreement") is entered into on April 7, 1999, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and J. Richard Tompkins, residing at 23 Hidden Pine Drive, Colts Neck, New Jersey 07722.

RECITALS

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. **TERM OF AGREEMENT.** This Agreement shall commence as of April 8, 1999 and shall continue in effect through December 31, 2001. However, commencing on December 31, 2001, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of three years beyond the month in which the Change In Control occurs. Notwithstanding the foregoing, and provided no Change of Control shall have occurred, this Agreement shall automatically terminate on the earlier to occur of (i) your termination of employment with the Company, or (ii) the Company's furnishing you with notice of termination, irrespective of the effective date of the termination.

2. **CHANGE IN CONTROL.** No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. **TERMINATION FOLLOWING CHANGE IN CONTROL.** If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, you shall be entitled to the benefits provided in subsection 4.3 below on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

3.1 **DISABILITY; RETIREMENT.** If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 **CAUSE.** Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 the willful and continued failure by you to substantially perform your duties with the Company as such employment was performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand

specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

- 3.2.2 the willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 GOOD REASON. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written ----- consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company:

- 3.3.1 the assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;
- 3.3.2 a reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;
- 3.3.3 your relocation, without your consent, to a location not within twenty five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;
- 3.3.4 the failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;
- 3.3.5 the failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control; or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;
- 3.3.6 the failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's

life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;

- 3.3.7 the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or
- 3.3.8 any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.4 NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to ----- this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

3.5 DATE OF TERMINATION, ETC. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement except to the extent otherwise provided in subsection 4.4.

4. COMPENSATION ON TERMINATION OR DURING DISABILITY. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 If your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

- 4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.
- 4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up"). For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.
- 4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and YOUR DEPENDENTS WERE PARTICIPATING PRIOR TO THE CHANGE IN CONTROL FOR A PERIOD ENDING ON THE EARLIER to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.
- 4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.
- 4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.
- 4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.
- 4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with

this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 and 4.3.5 above, shall be made no later than the THIRTIETH (30TH) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.5 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits.

5. SUCCESSORS; BINDING AGREEMENT.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. NOTICE. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance with this Agreement, except that notice of a change of address shall be effective only on receipt.

7. MISCELLANEOUS.

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or

deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By:/s/ Dennis G. Sullivan

Dennis G. Sullivan
Vice President and General Counsel

ATTEST:

/s/ Marion F. Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ J. Richard Tompkins

J. Richard Tompkins

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into on April 7, 1999, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and Walter J. Brady, residing at 49 Howell Drive, Verona, New Jersey 07044.

RECITALS

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. **TERM OF AGREEMENT.** This Agreement shall commence as of April 8, 1999 and shall continue in effect through December 31, 2001. However, commencing on December 31, 2001, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of three years beyond the month in which the Change In Control occurs. Notwithstanding the foregoing, and provided no Change of Control shall have occurred, this Agreement shall automatically terminate on the earlier to occur of (i) your termination of employment with the Company, or (ii) the Company's furnishing you with notice of termination, irrespective of the effective date of the termination.

2. **CHANGE IN CONTROL.** No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. **TERMINATION FOLLOWING CHANGE IN CONTROL.** If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, you shall be entitled to the benefits provided in subsection 4.3 below on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

3.1 **DISABILITY; RETIREMENT.** If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 **CAUSE.** Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 the willful and continued failure by you to substantially perform your duties with the Company as such employment was performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of

Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

- 3.2.2 the willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 GOOD REASON. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company:

- 3.3.1 the assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;
- 3.3.2 a reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;
- 3.3.3 your relocation, without your consent, to a location not within twenty five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;
- 3.3.4 the failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;
- 3.3.5 the failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control; or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;

- 3.3.6 the failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;
- 3.3.7 the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or
- 3.3.8 any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective. Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.4 NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

3.5 DATE OF TERMINATION, ETC. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement except to the extent otherwise provided in subsection 4.4.

4. COMPENSATION ON TERMINATION OR DURING DISABILITY. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness,

you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 If your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.

4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up"). For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.

4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to THE CHANGE IN CONTROL FOR A PERIOD ENDING ON THE EARLIER to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.

4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.

4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.

4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.

4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant

agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 AND 4.3.5 ABOVE, SHALL BE MADE NO LATER THAN THE THIRTIETH (30TH) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.5 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits.

5. SUCCESSORS; BINDING AGREEMENT.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. NOTICE. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance this Agreement, except that notice of a change of address shall be effective only on receipt.

7. MISCELLANEOUS.

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ J. Richard Tompkins

J. Richard Tompkins
Chairman of the Board and President

ATTEST:

/s/ Marion F. Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ Walter J. Brady

Walter J. Brady

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into on April 7, 1999, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and A. Bruce O'Connor, residing at 32 Buckingham Way, Freehold, New Jersey 07728.

RECITALS

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. **TERM OF AGREEMENT.** This Agreement shall commence as of April 8, 1999 and shall continue in effect through December 31, 2001. However, commencing on December 31, 2001, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of three years beyond the month in which the Change In Control occurs. Notwithstanding the foregoing, and provided no Change of Control shall have occurred, this Agreement shall automatically terminate on the earlier to occur of (i) your termination of employment with the Company, or (ii) the Company's furnishing you with notice of termination, irrespective of the effective date of the termination.

2. **CHANGE IN CONTROL.** No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. **TERMINATION FOLLOWING CHANGE IN CONTROL.** If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, you shall be entitled to the benefits provided in subsection 4.3 below on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

3.1 **DISABILITY; RETIREMENT.** If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 **CAUSE.** Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 the willful and continued failure by you to substantially perform your duties with the Company as such employment was performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated

failure after the issuance by you of a Notice of Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

- 3.2.2 the willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 GOOD REASON. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company:

- 3.3.1 the assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;
- 3.3.2 a reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;
- 3.3.3 your relocation, without your consent, to a location not within twenty five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;
- 3.3.4 the failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;
- 3.3.5 the failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control; or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change

In Control;

- 3.3.6 the failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;
- 3.3.7 the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or
- 3.3.8 any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.4 NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

3.5 DATE OF TERMINATION, ETC. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement except to the extent otherwise provided in subsection 4.4.

4. COMPENSATION ON TERMINATION OR DURING DISABILITY. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is

terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 If your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

- 4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.
- 4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up"). For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.
- 4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to THE CHANGE IN CONTROL FOR A PERIOD ENDING ON THE EARLIER to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.
- 4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.
- 4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.
- 4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.
- 4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third

parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 AND 4.3.5 ABOVE, SHALL BE MADE NO LATER THAN THE THIRTIETH (30TH) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.5 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits.

5. SUCCESSORS; BINDING AGREEMENT.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. NOTICE. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance with this Agreement, except that notice of a change of address shall be effective only on receipt.

7. MISCELLANEOUS.

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to

its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ J. Richard Tompkins

Chairman of the Board and President

ATTEST:

/s/ Marion F. Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ A. Bruce O'Connor

A. Bruce O'Connor

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into on April 7 1999, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and A. Marion F. Reynolds, residing at 10 Quicksilver Court, Lakewood, New Jersey 08701.

RECITALS

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. **TERM OF AGREEMENT.** This Agreement shall commence as of April 8, 1999 and shall continue in effect through December 31, 2001. However, commencing on December 31, 2001, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of three years beyond the month in which the Change In Control occurs. Notwithstanding the foregoing, and provided no Change of Control shall have occurred, this Agreement shall automatically terminate on the earlier to occur of (i) your termination of employment with the Company, or (ii) the Company's furnishing you with notice of termination, irrespective of the effective date of the termination.

2. **CHANGE IN CONTROL.** No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. **TERMINATION FOLLOWING CHANGE IN CONTROL.** If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, you shall be entitled to the benefits provided in subsection 4.3 below on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

3.1 **DISABILITY; RETIREMENT.** If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 **CAUSE.** Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 the willful and continued failure by you to substantially perform your duties with the Company as such employment was performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason as defined in

Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

- 3.2.2 the willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 GOOD REASON. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company:

- 3.3.1 the assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;
- 3.3.2 a reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;
- 3.3.3 your relocation, without your consent, to a location not within twenty five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;
- 3.3.4 the failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;
- 3.3.5 the failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control; or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;

- 3.3.6 the failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;
- 3.3.7 the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or
- 3.3.8 any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.4 NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

3.5 DATE OF TERMINATION, ETC. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement except to the extent otherwise provided in subsection 4.4.

4. COMPENSATION ON TERMINATION OR DURING DISABILITY. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by

reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 If your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

- 4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.
- 4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up"). For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.
- 4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to THE CHANGE IN CONTROL FOR A PERIOD ENDING ON THE EARLIER to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.
- 4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.
- 4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.
- 4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.
- 4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on

the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 AND 4.3.5 ABOVE, SHALL BE MADE NO LATER THAN THE THIRTIETH (30TH) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.5 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits.

5. SUCCESSORS; BINDING AGREEMENT.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. NOTICE. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance with this Agreement, except that notice of a change of address shall be effective only on receipt.

7. MISCELLANEOUS.

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ J. Richard Tompkins

J. Richard Tompkins
Chairman of the Board and President

ATTEST:

/s/ Dennis G. Sullivan

Dennis G. Sullivan
Vice President and General Counsel

/s/ Marion F. Reynolds

Marion F. Reynolds

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into on April 7 1999, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and Richard A. Russo, residing at 7 Anne Marie Lane, Titusville, New Jersey 08560.

RECITALS

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. TERM OF AGREEMENT. This Agreement shall commence as of April 8, 1999 and shall continue in effect through December 31, 2001. However, commencing on December 31, 2001, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of three years beyond the month in which the Change In Control occurs. Notwithstanding the foregoing, and provided no Change of Control shall have occurred, this Agreement shall automatically terminate on the earlier to occur of (i) your termination of employment with the Company, or (ii) the Company's furnishing you with notice of termination, irrespective of the effective date of the termination.

2. CHANGE IN CONTROL. No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. TERMINATION FOLLOWING CHANGE IN CONTROL. If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, you shall be entitled to the benefits provided in subsection 4.3 below on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

3.1 DISABILITY; RETIREMENT. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 CAUSE. Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 the willful and continued failure by you to substantially perform your duties with the Company as such employment was performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of

Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

- 3.2.2 the willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 GOOD REASON. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company:

- 3.3.1 the assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;
- 3.3.2 a reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;
- 3.3.3 your relocation, without your consent, to a location not within twenty five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;
- 3.3.4 the failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;
- 3.3.5 the failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control; or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;

- 3.3.6 the failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;
- 3.3.7 the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or
- 3.3.8 any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.4 NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

3.5 DATE OF TERMINATION, ETC. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement except to the extent otherwise provided in subsection 4.4.

4. COMPENSATION ON TERMINATION OR DURING DISABILITY. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your

employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 If your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

- 4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.
- 4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up"). For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.
- 4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to THE CHANGE IN CONTROL FOR A PERIOD ENDING ON THE EARLIER to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.
- 4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.
- 4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.
- 4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.
- 4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this

Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 AND 4.3.5 ABOVE, SHALL BE MADE NO LATER THAN THE THIRTIETH (30TH) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.5 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits.

5. SUCCESSORS; BINDING AGREEMENT.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. NOTICE. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance this Agreement, except that notice of a change of address shall be effective only on receipt.

7. MISCELLANEOUS.

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ J. Richard Tompkins

J. Richard Tompkins
Chairman of the Board and President

ATTEST:

/s/ Marion F. Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ Richard A. Russo

Richard A. Russo

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into on April 7 1999, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and Dennis G. Sullivan, residing at 2 Winchester Drive, Freehold, New Jersey 07728.

RECITALS

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. TERM OF AGREEMENT. This Agreement shall commence as of April 8, 1999 and shall continue in effect through December 31, 2001. However, commencing on December 31, 2001, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of three years beyond the month in which the Change In Control occurs. Notwithstanding the foregoing, and provided no Change of Control shall have occurred, this Agreement shall automatically terminate on the earlier to occur of (i) your termination of employment with the Company, or (ii) the Company's furnishing you with notice of termination, irrespective of the effective date of the termination.

2. CHANGE IN CONTROL. No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. TERMINATION FOLLOWING CHANGE IN CONTROL. If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, you shall be entitled to the benefits provided in subsection 4.3 below on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

3.1 DISABILITY; RETIREMENT. If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 CAUSE. Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 the willful and continued failure by you to substantially perform your duties with the Company as such employment was performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

3.2.2 the willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 GOOD REASON. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company:

3.3.1 the assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;

- 3.3.2 a reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;
- 3.3.3 your relocation, without your consent, to a location not within twenty five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;
- 3.3.4 the failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;
- 3.3.5 the failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control; or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;
- 3.3.6 the failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;
- 3.3.7 the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or
- 3.3.8 any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.4 NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

3.5 DATE OF TERMINATION, ETC. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement except to the extent otherwise provided in subsection 4.4.

4. COMPENSATION ON TERMINATION OR DURING DISABILITY. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 If your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.

4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up"). For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.

4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare

benefit plan under which you and your dependents were participating prior to THE CHANGE IN CONTROL FOR A PERIOD ENDING ON THE EARLIER to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.

- 4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.
- 4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.
- 4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.
- 4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 AND 4.3.5 ABOVE, SHALL BE MADE NO LATER THAN THE THIRTIETH (30TH) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.5 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits.

5. SUCCESSORS; BINDING AGREEMENT.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. NOTICE. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance with this Agreement, except that notice of a change of address shall be effective only on receipt.

7. MISCELLANEOUS.

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ J. Richard Tompkins

J. Richard Tompkins
Chairman of the Board and President

ATTEST:

/s/ Marion F. Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ Dennis G. Sullivan

Dennis G. Sullivan

CHANGE IN CONTROL TERMINATION AGREEMENT

This Change in Control Termination Agreement (the "Agreement") is entered into on April 7 1999, between Middlesex Water Company, a New Jersey corporation, with its principal place of business located at 1500 Ronson Road, P.O. Box 1500, Iselin, New Jersey 08830-0452, (the "Company"), and Ronald F. Williams, residing at 11 Peacock Court, Trenton, New Jersey 08691.

RECITALS

A. The Company considers it essential to the best interests of its stockholders to foster the continuous employment of key management personnel. In this connection, the Board of Directors of the Company (the "Board") recognizes that, as is the case with many publicly held Companies, the possibility of a Change In Control may exist. This possibility, and the uncertainty and questions that it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

B. The Board has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to the assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a Change In Control of the Company.

C. To induce you to remain in the employ of the Company, and in consideration of your agreement set forth below, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated or "constructively terminated" as defined herein in connection with a "Change In Control of the Company" (as defined in Section 2 below) under the circumstances described below. This Agreement is meant to supersede any other specific written agreements that may have been entered into between yourself and the Company concerning termination of employment.

Therefore, in consideration of your continued employment and the parties' agreement to be bound by the terms contained in this Agreement, the parties agree as follows:

1. **TERM OF AGREEMENT.** This Agreement shall commence as of April 8, 1999 and shall continue in effect through December 31, 2001. However, commencing on December 31, 2001, and each December 31 afterwards, the term of this Agreement shall automatically be extended for 1 additional year unless, no later than the preceding November 1, the Company shall have given notice that it does not wish to extend this Agreement. Notwithstanding the foregoing, if a Change In Control of the Company shall be proposed to occur or have occurred during the original or any extended term of this Agreement, this Agreement shall continue in effect for a period of three years beyond the month in which the Change In Control occurs. Notwithstanding the foregoing, and provided no Change of Control shall have occurred, this Agreement shall automatically terminate on the earlier to occur of (i) your termination of employment with the Company, or (ii) the Company's furnishing you with notice of termination, irrespective of the effective date of the termination.

2. **CHANGE IN CONTROL.** No benefits shall be payable under this Agreement unless there shall have been a Change In Control of the Company, as set forth below. For purposes of this Agreement, a "Change In Control" of the Company shall be deemed to occur if any party or group acquires beneficial ownership of 20 percent or more of the voting shares of the Company; or if shareholder approval is required for a transaction involving the acquisition of the Company through the purchase or exchange of the stock or assets of the Company by merger or otherwise; or if one-third or more of the Board elected in a 12-month period or less are so elected without the approval of a majority of the Board as constituted at the beginning of such period; or a liquidation or dissolution of Company.

3. **TERMINATION FOLLOWING CHANGE IN CONTROL.** If any of the events described in Section 2 above constituting a Change In Control of the Company shall have occurred, you shall be entitled to the benefits provided in subsection 4.3 below on the subsequent termination or "Constructive Termination" of your employment during the term of this Agreement, unless the termination is (A) because of your death, Disability or Retirement, (B) by the Company for Cause, or (C) by you other than for Good Reason.

3.1 **DISABILITY; RETIREMENT.** If, as a result of your incapacity due to physical or mental illness, you shall have been absent from the full-time performance of your duties with the Company for 6 consecutive months, and within 30 days after written notice of termination is given you shall not have returned to the full-time performance of your duties, your employment may be terminated for "Disability." Termination by the Company or you of your employment based on "Retirement" shall mean termination in accordance with the Company's retirement policy, including early retirement, generally applicable to its salaried employees or in accordance with any retirement arrangement established with your consent with respect to you.

3.2 **CAUSE.** Termination by the Company of your employment for "Cause" shall mean termination on:

3.2.1 the willful and continued failure by you to substantially perform your duties with the Company as such employment was performed by you prior to the Change of Control (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance by you of a Notice of

Termination for Good Reason as defined in Subsections 3.4 and 3.3, respectively) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties; or

- 3.2.2 the willful act by you in conduct that is demonstrably and materially injurious to the Company, and which the Board deems to cause or will cause substantial economic damage to the Company or injury to the business reputation of the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without a reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses 3.2.1 or 3.2.2 of the first sentence of this Subsection and specifying the particulars in detail.

3.3 GOOD REASON. You shall be entitled to terminate your employment for Good Reason. For purposes of this Agreement, "Good Reason" shall mean, without your express written consent, the occurrence in connection with a Change In Control of the Company of any of the following circumstances unless, in the case of paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8, the circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination, as defined in Subsections 3.5 and 3.4, respectively, given in respect of them. If you have Good Reason for your termination you shall be considered to have been "Constructively Terminated" by the Company:

- 3.3.1 the assignment to you of any duties inconsistent with your status and position (i) prior to the Change In Control where such change is a direct result of any pending Change in Control; or (ii) as such status exists immediately prior to the Change In Control of the Company, or (iii) a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the Change In Control of the Company whichever is applicable;
- 3.3.2 a reduction by the Company in your annual base salary as in effect on this date or as the same may be increased from time to time irrespective of future Company policies including any across-the-board salary reductions similarly affecting all key employees of the Company;
- 3.3.3 your relocation, without your consent, to a location not within twenty five (25) miles of your present office or job location, except for required travel on the Company's business to an extent substantially consistent with your present business travel obligations;
- 3.3.4 the failure by the Company, without your consent, to pay to you any part of your current compensation, or to pay to you any part of an installment of deferred compensation under any deferred compensation program of the Company, within fourteen (14) days of the date the compensation is due;
- 3.3.5 the failure by the Company to continue in effect any bonus to which you were entitled, or any compensation plan in which you participate (i) prior to the Change in Control where such change is a direct result of any pending Change In Control; or (ii) immediately prior to the Change In Control of the Company that is material to your total compensation, including but not limited to the Company's Restricted Stock Plan, 401(k) Plan, and Benefit Plans, or any substitute plans adopted prior to the Change In Control of the Company, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the failure by the Company to continue your participation in it (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the Change In Control;

- 3.3.6 the failure by the Company to continue to provide you with (i) benefits substantially similar to those enjoyed by you under any of the Company's life insurance, medical, health and accident, or disability plans in which you were participating at the time of the Change In Control of the Company was in effect for the employees of the Company generally at the time of the Change In Control, (ii) the failure to continue to provide you with a Company automobile or allowance in lieu of it at the time of the Change In Control of the Company, (iii) the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the Change In Control of the Company, or (iv) the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect at the time of the Change In Control of the Company;
- 3.3.7 the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 5 of this Agreement; or
- 3.3.8 any purported termination of your employment that is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection 3.4 below (and, if applicable, the requirements of Subsection 3.2 above); for purposes of this Agreement, no such purported termination shall be effective.

Your rights to terminate your employment pursuant to this Subsection shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason under this Agreement. In the event you deliver Notice of Termination based on circumstances set forth in Paragraphs 3.3.1, 3.3.5, 3.3.6, 3.3.7, or 3.3.8 above, which are fully corrected prior to the Date of Termination set forth in your Notice of Termination, the Notice of Termination shall be deemed withdrawn and of no further force or effect.

3.4 NOTICE OF TERMINATION. Any purported termination of your employment by the Company or by you shall be communicated by written Notice of Termination to the other party to this Agreement in accordance with Section 6 of this Agreement. For purposes of this Agreement, a "Notice of Termination" shall mean a notice that shall indicate the specific termination provision in this Agreement relied on, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

3.5 DATE OF TERMINATION, ETC. "Date of Termination" shall mean (A) if your employment is terminated for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), and (B) if your employment is terminated pursuant to Subsection 3.2 or 3.3 above or for any other reason (other than Disability), the date specified in the Notice of Termination (which, in the case of a termination pursuant to Subsection 3.2 above shall not be less than 30 days, and in the case of a termination pursuant to Subsection 3.3 above shall not be less than 15 nor more than 60 days, respectively, from the date the Notice of Termination is given). However, if within 15 days after any Notice of Termination is given, or, if later, prior to the Date of Termination (as determined without regard to this provision), the party receiving the Notice of Termination notifies the other party that a dispute exists concerning the termination, then the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order, or decree of a court of competent jurisdiction (which is not appealable or with respect to which the time for appeal has expired and no appeal has been perfected). The Date of Termination shall be extended by a notice of dispute only if the notice is given in good faith and the party giving the notice pursues the resolution of the dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with this Subsection. Amounts paid under this Subsection are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement except to the extent otherwise provided in subsection 4.4.

4. COMPENSATION ON TERMINATION OR DURING DISABILITY. Following a Change In Control of the Company, as defined by Section 2, on termination of your employment or during a period of disability you shall be entitled to the following benefits:

4.1 During any period that you fail to perform your full-time duties with the Company as a result of incapacity due to physical or mental illness, you shall continue to receive your base salary at the rate in effect at the commencement of any such period, together with all amounts payable to you under any compensation plan of the Company during the period, until this Agreement is terminated pursuant to section 3.1 above. Thereafter, or in the event your

employment shall be terminated by the Company or by you for Retirement, or by reason of your death, your benefits shall be determined under the Company's retirement, insurance, and other compensation programs then in effect in accordance with the terms of those programs.

4.2 If your employment shall be terminated by the Company for Cause or by you other than for Good Reason, Disability, death, or Retirement, the Company shall pay you your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company at the time the payments are due. The Company shall have no obligations to you under this Agreement.

4.3 If your employment by the Company shall be terminated (a) by the Company other than for Cause, Retirement or Disability, or (b) by you for Good Reason, then you shall be entitled to the benefits provided below:

- 4.3.1 The Company shall pay you your full salary through the Date of Termination at the rate in effect at the time notice of Termination is given, plus all other amounts and benefits to which you are entitled under any compensation plan of the Company, at the time the payments are due, except as otherwise provided below.
- 4.3.2 In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you, as severance pay the following: (i) a lump sum severance payment equal to three (3) times the average of your Compensation for the five (5) years prior to the occurrence of the circumstance giving rise to the notice of Termination, plus (ii) the amounts in the forms set forth in paragraphs 4.3.3, 4.3.4 and 4.3.5 (the "Severance Payments"). In addition to the Severance Payments, the Company shall pay to you an additional amount equal to the amount of the Excise Tax, if any, that is due or determined to be due under Section 4999 of the Internal Revenue Code of 1986, as amended, resulting from the Severance Payments or any other payments under this Agreement or any other agreement between you and the Company and an amount sufficient to pay the taxes on any such Excise Taxes (the "Gross-up"). For purposes of this Agreement, "Compensation" shall mean the aggregate remuneration paid by the Company to you during a calendar year, including bonuses, awards under the Company's Restricted Stock Plan, benefits under employee benefit plans, automobile allowances or any fees paid to you as remuneration for serving as a Director of the Company.
- 4.3.3 The Company shall continue coverage for you and your dependents under any health or welfare benefit plan under which you and your dependents were participating prior to THE CHANGE IN CONTROL FOR A PERIOD ENDING ON THE EARLIER to occur of (i) the date you become covered by a new employer's health and welfare benefit plan, (ii) the date you become covered by Medicare, or (iii) the date which is thirty-six (36) months from the date of Termination. The coverage for your dependents shall end earlier than (i), (ii) or (iii) if required by the health or welfare benefit plan due to age eligibility.
- 4.3.4 The Company shall pay to you any deferred compensation, including, but not limited to deferred bonuses, allocated or credited to you or your account as of the Date of Termination.
- 4.3.5 Outstanding stock options or Restricted Stock grants, if any, granted to you under the Company's Stock Plans which are not vested on Termination shall immediately vest.
- 4.3.6 Where you shall prevail in any such action, the Company shall also pay to you all legal and accounting fees and expenses incurred by you as a result of the termination (including all such fees and expenses incurred by you as a result of the termination (including all such fees and expenses, if any, incurred in contesting or disputing any termination or in seeking to obtain or enforce any right or benefit provided by this Agreement or in connection with any tax audit or proceeding to the extent attributable to the application of Code Section 4999 to any payment or benefit provided under this Agreement) or any other agreement with the Company.
- 4.3.7 The amount of Severance Payments and any Gross-up due to you under this or any other relevant agreement with the Company shall be determined by a third party agreed to by you and the Company. If you cannot agree on a third party, then both third parties shall determine the amounts due under this

Agreement. If the third parties do not agree on the amount to be paid to you, then either party may submit the calculation of the amounts which are in dispute to Arbitration in accordance with this Agreement. The payments provided for in Paragraphs 4.3.2, 4.3.4 AND 4.3.5 ABOVE, SHALL BE MADE NO LATER THAN THE THIRTIETH (30TH) day following the Date of Termination. However, if the amounts of the payments cannot be finally determined on or before that day, the Company shall pay to you on that day an estimate, as determined in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of those payments (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount can be determined but in no event later than the 30th day after the Date of Termination. In the event that the amount of the estimate payments exceeds the amount subsequently determined to have been due, the excess shall constitute a loan by the Company to you payable on the 30th day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

4.4 You shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise except as specifically provided in this Section 4.

4.5 In addition to all other amounts payable to you under this Section 4, you shall be entitled to receive all qualified benefits payable to you under the Company's 401(k) Plan, Defined Benefit Plan and any other plan or agreement relating to retirement benefits.

5. SUCCESSORS; BINDING AGREEMENT.

5.1 The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain the assumption and agreement prior to the effectiveness of any succession shall be a breach of this agreement and shall entitle you to compensation from the Company in the same amount and on the same terms as you would have been entitled to under this Agreement if you had terminated your employment for Good Reason following a Change In Control of the Company, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination.

5.2 This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If you should die while any amount would still be payable to you if you had continued to live, all such amounts, unless otherwise provided in this Agreement, shall be paid in accordance with the terms of this Agreement to your legatee or other designee or, if there is no such designee, to your estate.

6. NOTICE. For the purpose of this Agreement, all notices and other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Board with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance this Agreement, except that notice of a change of address shall be effective only on receipt.

7. MISCELLANEOUS.

7.1 No provision of this Agreement may be modified, waived, or discharged unless the waiver, modification, or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board.

7.2 No waiver by either party to this Agreement at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

7.3 No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter of this Agreement have been made by either party that are not expressly set forth in this Agreement.

7.4 Nothing in this Agreement is intended to reduce any benefits payable to you under any other agreement you may have with the Company or in any Company plan in which you may participate.

7.5 The validity, interpretation, construction, and performance of this Agreement shall be governed by the law of New Jersey without reference to its conflict of laws principals.

7.6 All references to sections of the Exchange Act or the Code shall be deemed also to refer to any successor provisions to such sections. Any payments provided for shall be paid net of any applicable withholding or deduction required under federal, state or local law.

7.7 The obligations of the Company under Section 4 shall survive the expiration of the term of this Agreement.

8. VALIDITY. The validity or enforceability of any provision of this Agreement shall not affect the validity or unenforceability of any other provision of this Agreement, which shall remain in full force and effect.

9. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

10. ARBITRATION. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in New Jersey in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. However, you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection this Agreement.

11. ENTIRE AGREEMENT. This Agreement sets forth the entire understanding of the parties with respect to its subject matter and supersedes all prior written or oral agreements or understandings with respect to the subject matter.

In witness whereof, the parties have executed this agreement as of the day and year first above written.

MIDDLESEX WATER COMPANY

By: /s/ J. Richard Tompkins

J. Richard Tompkins
Chairman of the Board and President

ATTEST:

/s/ Marion F. Reynolds

Marion F. Reynolds
Vice President
Secretary and Treasurer

/s/ Ronald F. Williams

Ronald F. Williams

EXHIBIT 11
MIDDLESEX WATER COMPANY
STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

	Three Months Ended				(In Thousands)			
	September 30,				September 30,			
	1999		1998		1999		1998	
BASIC:	Income	Shares	Income	Shares	Income	Shares	Income	Shares
	-----	-----	-----	-----	-----	-----	-----	-----
Income Before Preferred Stock								
Dividend Requirement	\$ 2,781	4,932	\$ 2,348	4,358	\$ 6,846	4,916	\$ 5,185	4,326
Less Preferred Stock Dividend Requirement	(78)		(80)		(237)		(239)	
Earnings Applicable to Common Stock	\$ 2,703	4,932	\$ 2,268	4,358	\$ 6,609	4,916	\$ 4,946	4,326
Basic Earnings Per Share of Common Stock	\$ 0.55		\$ 0.52		\$ 1.34		\$ 1.14	
	-----		-----		-----		-----	
DILUTED:								
Earnings Applicable to Common Stock	\$ 2,703	4,932	\$ 2,268	4,358	\$ 6,609	4,916	\$ 4,946	4,326
Convertible Preferred Stock \$7.00 Series Dividend	26	89	26	89	78	89	78	89
Convertible Preferred Stock \$8.00 Series Dividend	38	135	40	137	118	137	120	137
Adjusted Earnings Applicable to Common Stock	\$ 2,767	5,156	\$ 2,334	4,584	\$ 6,805	5,142	\$ 5,144	4,552
Diluted Earnings Per Share of Common Stock	\$ 0.54		\$ 0.51		\$ 1.32		\$ 1.13	
	-----		-----		-----		-----	

(continued)

	Twelve Months Ended			
	September 30,			
	1999		1998	
BASIC:	Income	Shares	Income	Shares
	-----	-----	-----	-----
Income Before Preferred Stock				
Dividend Requirement	\$ 8,182	4,795	\$ 6,559	4,310
Less Preferred Stock Dividend Requirement	(317)		(319)	
Earnings Applicable to Common Stock	\$ 7,865	4,795	\$ 6,240	4,310
Basic Earnings Per Share of Common Stock	\$ 1.64		\$ 1.45	
	-----		-----	
DILUTED:				
Earnings Applicable to Common Stock	\$ 7,865	4,795	\$ 6,240	4,310
Convertible Preferred Stock \$7.00 Series Dividend	104	89	104	89
Convertible Preferred Stock \$8.00 Series Dividend	158	137	160	137
Adjusted Earnings Applicable to Common Stock	\$ 8,127	5,021	\$ 6,504	4,536
Diluted Earnings Per Share of Common Stock	\$ 1.62		\$ 1.43	
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9-MOS
DEC-31-1999
SEP-30-1999
PER-BOOK
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