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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Amendment No. 3**  
**to**  
**FORM S-3**  
**REGISTRATION STATEMENT**  
*Under*  
**THE SECURITIES ACT OF 1933**

**MIDDLESEX WATER COMPANY**

(Exact name of registrant as specified in its charter)

**New Jersey**  
(State or other jurisdiction of  
incorporation or organization)

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

**1500 Ronson Road, Iselin, New Jersey 08830**  
**(732) 634-1500**

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**A. BRUCE O'CONNOR**  
**Vice President, Controller and Chief Financial Officer**  
**Middlesex Water Company**

**1500 Ronson Road, Iselin, New Jersey 08830-3020**  
**(732) 634-1500**

(Name, address, including zip code, and telephone number, including area code, of agent for service)

*With Copies to:*

**PETER D. HUTCHEON, ESQ.**  
**Norris, McLaughlin & Marcus, P.A.**  
**721 Route 202-206, P.O. Box 1018**  
**Somerville, New Jersey 08876-1018**  
**(908) 722-0700**

**JUSTIN P. KLEIN, ESQ.**  
**Ballard Spahr Andrews & Ingersoll, LLP**  
**1735 Market Street, 51<sup>st</sup> Floor**  
**Philadelphia, Pennsylvania 19103-7599**  
**(215) 665-8500**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, please check the following box and list the Securities Act registration statement number of the earlier effective, registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not including an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion, dated April 16, 2004

PROSPECTUS

**700,000 Shares**



**Common Stock**

We are offering 700,000 shares of our common stock with this prospectus.

Our common stock is listed for trading on the Nasdaq Stock Market's National Market under the symbol MSEX. On April 15, 2004 the last reported sale price for our common stock was \$20.62 per share.

We have granted the underwriters an option, exercisable within 30 days after the date of this prospectus, to purchase up to 100,000 additional shares of common stock upon the same terms and conditions as the shares offered hereby to cover over-allotments, if any.

**Investing in our common stock involves risk. See "Risk Factors" beginning on page 5 of this prospectus.**

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to Middlesex Water Company	\$	\$

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

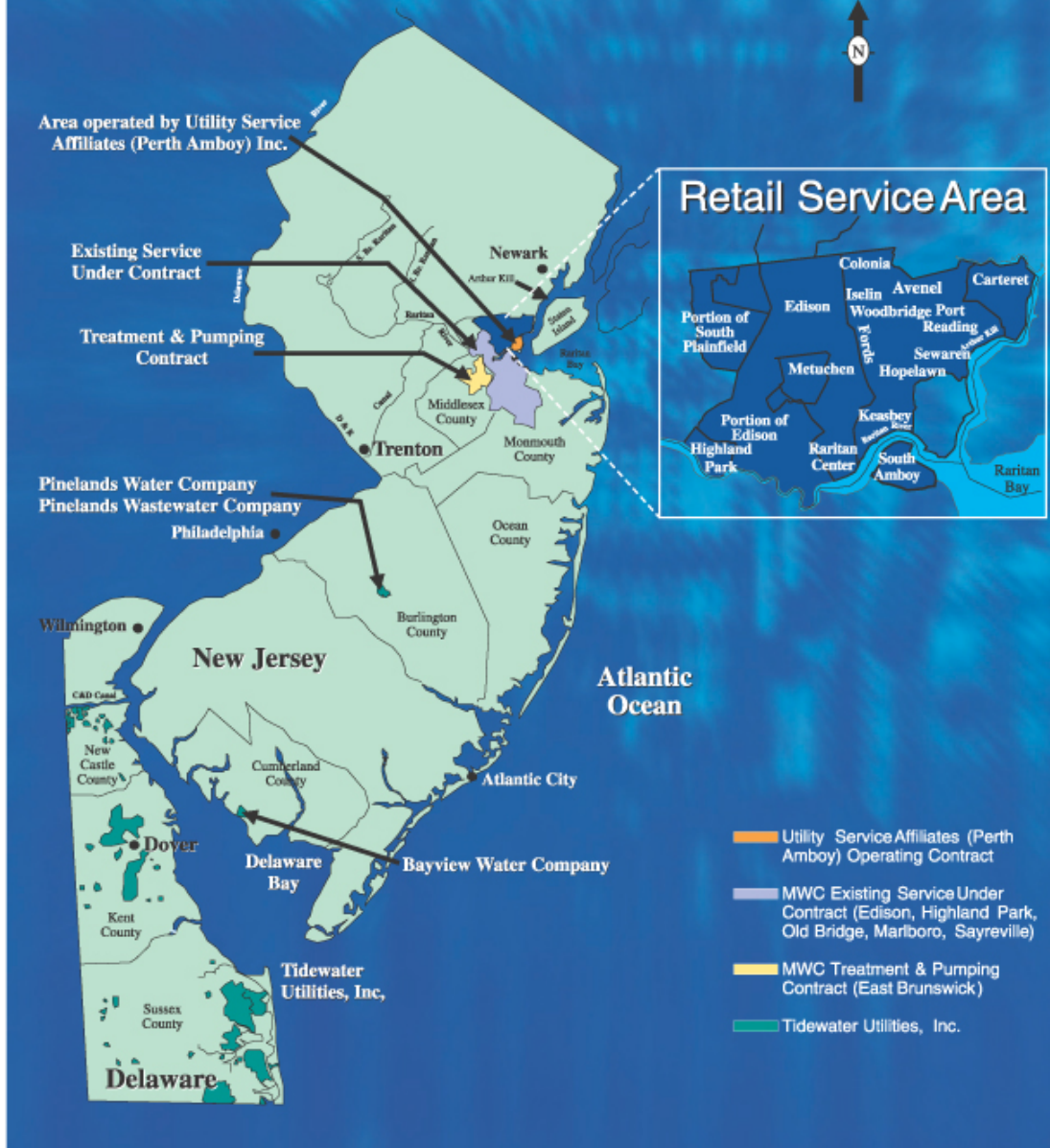
Janney Montgomery Scott LLC, on behalf of the underwriters, expects to deliver the shares on or about \_\_\_\_\_, 2004.

**JANNEY MONTGOMERY SCOTT LLC**

**EDWARD D. JONES & Co., L.P.**

The date of this prospectus is \_\_\_\_\_, 2004.

# Middlesex Water Company Service Areas



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## PROSPECTUS SUMMARY

*This Prospectus Summary calls your attention to the most significant aspects of the offering covered by this document, but may not contain all the information that is important to you. Unless otherwise indicated, we have assumed in presenting information about outstanding shares of common stock, including per share information, that the Underwriters' over-allotment option will not be exercised. All share information and per share prices contained in this prospectus reflect our four-for-three common stock split effective November 14, 2003. The terms "Company" "we," "our," and "us" refer to Middlesex Water Company and its subsidiaries, including Tidewater Utilities, Inc. ("Tidewater") (and Tidewater's wholly-owned subsidiaries, Southern Shores Water Company, LLC ("Southern Shores") and White Marsh Environmental Systems, Inc. ("White Marsh")), Pinelands Water Company ("Pinelands Water") and Pinelands Wastewater Company ("Pinelands Wastewater" and collectively with Pinelands Water, "Pinelands"), Utility Service Affiliates, Inc. ("USA"), Utility Service Affiliates (Perth Amboy) Inc., ("USA-PA") and Bayview Water Company ("Bayview"). The term "you" refers to a prospective investor. To understand the offering fully and for a more complete description of the offering you should read this entire document carefully, including especially the "Risk Factors" section, as well as the documents we have referred you to.*

### Our Company

Middlesex Water Company has operated as a water utility in New Jersey since 1897, and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate a New Jersey municipal water and wastewater system under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services in New Jersey and for water services in Delaware, as to the quality of water service we provide and as to certain other matters. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

Our New Jersey water utility system (the "Middlesex System") provides water services to approximately 58,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey with a total population of approximately 267,000. Through our subsidiary, USA-PA, we operate the water supply system and wastewater system for the City of Perth Amboy, New Jersey. Our other New Jersey subsidiaries, Pinelands Water and Pinelands Wastewater, provide water and wastewater services to residents in Southampton Township, New Jersey.

Our Delaware subsidiaries, Tidewater and Southern Shores, provide water services to approximately 24,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Our other Delaware subsidiary, White Marsh, services an additional 1,900 customers in Kent and Sussex Counties. Our customer base in Delaware has the potential to grow substantially within the existing territories we currently serve. The developments we either serve or have entered into contracts to serve have obtained approvals to build additional housing units. If those additional housing units are built and sold, we project our customer base would grow to 38,000 customers, without the acquisition of additional housing developments. Further, there is significant economic development and population growth within and near many of our Delaware service areas. For example, according to the United States Census Bureau, from 1990 to 2000, the population in Kent and Sussex Counties increased 14.1% and 38.3%, respectively.

### **Our Strategy**

We strive to increase shareholder value by:

- maintaining and strengthening our position as a reliable provider of quality water and wastewater services;
- continuing to increase our retail customer base in Delaware;
- providing new water and wastewater service related businesses that are not regulated utilities;
- acquiring other water and wastewater utilities; and
- pursuing additional contracts for the operation and management of municipal water and wastewater systems.

### **Recent Developments**

The Company's consolidated financial statements as of December 31, 2002 and for the years ended December 31, 2002 and 2001, which have been incorporated by reference in this prospectus, have been restated to correct the classification of certain amounts. The reclassifications were made to present the amount of Restricted Cash as a non current asset rather than a current asset in the consolidated balance sheet at December 31, 2002, and to present changes in Restricted Cash related to capital expenditures as an investing activity rather than a financing activity in the consolidated statement of cash flows for the years ended December 31, 2002 and 2001. Prior to the reclassification, such amounts were presented as Temporary Cash Investments – Restricted. Those amounts are now described as Restricted Cash. The restatement had no effect on reported total assets, net income, earnings applicable to common stock, cash flows from operations or liquidity. For additional information, see Note 10 to our consolidated financial statements contained in our Annual Report on Form 10-K/A, which is incorporated by reference into this prospectus.

### **Our Address and Telephone Number**

Our executive offices are located at 1500 Ronson Road, Iselin, New Jersey 08830-3020 and our telephone number is (732) 634-1500.

**THE OFFERING**

Common Stock offered no par value	700,000 shares
Common Stock to be outstanding after the offering	11,292,863 shares <sup>(1)</sup>
Nasdaq symbol	MSEX
Common Stock 52-week price range (through April 15, 2004)	Low: \$16.32 per share High: \$21.81 per share
Annualized dividend rate	\$0.66 per share
Use of proceeds	We expect to use the net proceeds to repay in full all of our outstanding short-term borrowings.

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(1) The shares of our common stock to be outstanding after the offering is based on the number of shares outstanding as of April 15, 2004 having given effect to the four-for-three common stock split effective November 14, 2003.

**SUMMARY CONSOLIDATED FINANCIAL DATA**

The following table sets forth summary consolidated financial data for the periods indicated. All share and per share amounts reflect the four-for-three common stock split effective November 14, 2003. The summary consolidated financial data as of December 31, 2003 and 2002, and for the three years ended December 31, 2003, have been derived from our audited financial statements which have been incorporated by reference in this prospectus. The summary consolidated financial data as of December 31, 2001, has been derived from audited financial statements not included herein. The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this prospectus and the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements incorporated by reference in this prospectus. Historical operating results are not necessarily indicative of results for any other period.

	Years Ended December 31,		
	2003	2002	2001
(In thousands, except per share data)			
<b>Consolidated Income Statement Data:</b>			
Operating Revenues	\$ 64,111	\$ 61,933	\$ 59,638
Operating Expenses	52,611	49,466	48,145
Net Income	6,631	7,765	6,953
Earnings Applicable to Common Stock	6,376	7,510	6,698
Earnings per Share of Common Stock:			
Basic	\$ 0.61	\$ 0.73	\$ 0.66
Diluted	0.61	0.73	0.66
Dividends Paid per Share of Common Stock	\$ 0.649	\$ 0.634	\$ 0.623
Average Number of Shares Outstanding:			
Basic	10,475	10,280	10,131
Diluted	10,818	10,623	10,474
As of December 31,			
	2003	2002	2001
(In thousands)			
<b>Consolidated Balance Sheet Data:</b>			
Total Assets	\$ 263,192	\$ 248,962	\$ 240,312
Utility Plant-Net	226,785	212,302	200,001
Common Equity	79,643	76,501	72,290
Convertible Preferred Stock	2,961	2,961	2,961
Nonredeemable Preferred Stock	1,102	1,102	1,102
Long-Term Debt (excluding current portion)	97,377	87,483	88,140
Total Debt	110,944	105,773	101,724



## RISK FACTORS

*We have described for you below risks involved in investing in the common stock offered under this prospectus. You should carefully consider each of the following factors and all of the information both in this prospectus and in the other documents we have filed with the Securities and Exchange Commission which are incorporated in this prospectus by reference.*

**Our revenue and profit depend on the rates we charge our customers. We cannot raise utility rates without filing a petition with the appropriate governmental agency. If these agencies modify, delay or deny our petition, our revenues will not increase and our profit will decline unless we are able to reduce costs.**

The BPU regulates all of our public utility companies in New Jersey. The BPU regulates these utilities with respect to rates and charges for service, classification of accounts, awards of new service territory, acquisitions and other matters. That means, for example, that we cannot raise the utility rates we charge to our customers without first filing a petition with the BPU and going through a lengthy administrative process. In much the same way, the PSC regulates our public utility companies in Delaware. We cannot give assurances of when we will request approval for any such matter, nor can we predict whether the BPU or PSC will approve, deny or reduce the amount of any such requests.

Certain costs of doing business are not within our control. For example, beginning on August 1, 2003, with the deregulation of the electricity generation market in New Jersey, our electric commodity unit costs increased by over 40% and the remaining regulated portion of our electricity rates rose 15%. These and other increased costs have prompted us to file rate increase petitions with the BPU for Middlesex and Pinelands. There can be no assurance, however, that we will receive BPU approval for this, or any future rate increases, to address increased electricity or any other increased costs. The failure to obtain any rate increase would prevent us from increasing our revenues and, unless we are able to reduce costs, make us less profitable.

**We are subject to penalties unless we comply with environmental laws and regulations, including water quality regulations. Compliance with those laws and regulations impose costs on us.**

The United States Environmental Protection Agency (“EPA”) and the New Jersey Department of Environmental Protection (“DEP”) regulate our operations in New Jersey with respect to water supply, treatment and distribution systems and the quality of the water, as do the EPA, Delaware Department of Natural Resources and Environmental Control (“DNREC”), Delaware Department of Health and Social Services—Division of Public Health (“DPH”) and Delaware River Basin Commission (“DRBC”) with respect to operations in Delaware. Federal, New Jersey and Delaware regulations relating to water quality require us to perform expanded types of testing to insure that our water meets state and federal water quality requirements. We are subject to EPA regulations under the Federal Safe Drinking Water Act, which include the Lead and Copper Rule, the maximum contaminant levels established for various volatile organic compounds, the Federal Surface Water Treatment Rule and the Total Coliform Rule. There are also similar state regulations by the DEP in New Jersey. The DEP and the DPH monitor our activities and review the results of water quality tests that we perform for adherence to applicable regulations. In addition, environmental regulatory agencies are reviewing current regulations governing the limits of certain organic compounds found in the water as byproducts of treatment.

The cost to water companies of complying with the proposed water quality standards depends in part on the limits set in the regulations and on the method selected to implement them. Those costs could be very high and may make us less profitable if we cannot recover those costs through our rates that we charge our customers.

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**We do not have sufficient funds on hand to pay for all of the costs of complying with laws and regulations, including environmental laws and regulations or to pay for the improvements or the expansion of our utility system assets. We depend upon our ability to raise money in the capital markets to finance these costs. We cannot issue debt or equity securities without regulatory approval.**

We require financing to fund the ongoing capital program for the improvement of our utility system assets and for planned expansion of that system. We project that we must expend approximately \$67.0 million for existing capital projects. We must have regulatory approval to sell debt or equity securities to raise money for these projects. If sufficient capital is not available or the cost of capital is too high, or if the regulatory authorities deny a petition of ours to sell debt or equity securities, we would not be able to meet the cost of complying with environmental laws and regulations or the costs of improving and expanding our utility system assets. This might result in the imposition of fines or restrictions on our operations and may curtail our ability to improve upon and expand our utility system assets.

**Weather conditions and overuse of underground aquifers may interfere with our sources of water, demand for water services, and our ability to supply water to customers.**

Our ability to meet the existing and future water demands of our customers depends on an adequate supply of water. Unexpected conditions may interfere with our water supply sources. Drought and overuse of underground aquifers may limit the availability of ground and surface water. These factors might adversely affect our ability to supply water in sufficient quantities to our customers. Governmental drought restrictions might result in decreased use of water services and can adversely affect our revenue and earnings. Additionally, cool and wet weather may reduce consumption demands, also adversely affecting our revenue and earnings. Freezing weather may also contribute to water transmission interruptions caused by pipe and main breakage. Any interruption in our water supply could cause a reduction in our revenue and profitability.

**Our water sources may become contaminated by naturally occurring or man-made compounds and events. This may cause disruption in services and impose costs to restore the water to required levels of quality.**

Our sources of water may become contaminated by naturally-occurring or man-made compounds and events. In the event that our water supply is contaminated, we may have to interrupt the use of that water supply until we are able to install treatment equipment or substitute the flow of water from an uncontaminated water source through our transmission and distribution systems. We may also incur significant costs in treating the contaminated water through expansion of our current treatment facilities, or development of new treatment methods. Our inability to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost-effective manner, may reduce our revenues and make us less profitable.

**The necessity for increased security has and may continue to result in increased operating costs.**

In the wake of the September 11, 2001 terrorist attacks and the ensuing threats to the health and security of the United States of America, we have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply. We have tightened our security measures regarding the delivery and handling of certain chemicals used in our business. We are at risk for terrorist attacks and have and will continue to bear increased costs for security precautions to protect our facilities, operations and supplies from such risks.

**We face competition from other utilities and service providers which might hinder our growth and reduce our profitability.**

We face the risks of competition from other utilities authorized by federal, state or local agencies. Once a utility regulator grants a service territory to a utility, that utility is usually the only one to service that territory. Although a new territory offers some protection against competitors, the pursuit of service territories is

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competitive, especially in Delaware where new territories may be awarded to utilities based upon competitive negotiation. Competing utilities have challenged, and may in the future challenge, our applications for new service territories. Also, third parties entering into long-term agreements to operate municipal systems might adversely affect us and our long-term agreements to supply water on a contract basis to municipalities.

**We have a long-term contractual obligation for water and wastewater system operation and maintenance under which we may incur costs in excess of payments received.**

Middlesex Water Company and USA-PA operate and maintain the water and wastewater systems of Perth Amboy, New Jersey under a multi-year contract. This contract does not protect us against incurring costs in excess of payments we will receive pursuant to the contract. There can be no assurance that we will not experience losses resulting from this contract. Losses under this contract or our failure or inability to perform may have a material adverse effect on our financial condition and results of operations. Also, in connection with this contract, Perth Amboy, through the Middlesex County Improvement Authority, issued approximately \$68.0 million in three series of bonds. We have guaranteed one of those series of bonds in the principal amount of approximately \$26.3 million. As of December 31, 2003, approximately \$24.4 million of the bonds we have guaranteed remain outstanding. If Perth Amboy defaults on its obligations to pay the bonds we have guaranteed, we would have to raise funds to meet our obligations under that guarantee.

**An important element of our growth strategy is the acquisition of water and wastewater systems. Any pending or future acquisitions we decide to undertake may involve risks.**

The acquisition and integration of water and wastewater systems is an important element in our growth strategy. This strategy depends on identifying suitable acquisition opportunities and reaching mutually agreeable terms with acquisition candidates. The negotiation of potential acquisitions as well as the integration of acquired businesses could require us to incur significant costs and cause diversion of our management's time and resources. Further, acquisitions may result in the dilution of our equity securities, incurrence of debt and contingent liabilities, fluctuations in quarterly results and other acquisition related expenses. In addition, the businesses and other assets we acquire may not achieve the sales and profitability expected.

**We have restrictions on our dividends. There can also be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.**

Our Restated Certificate of Incorporation and our Indenture of Mortgage dated as of April 1, 1927, as supplemented impose conditions on our ability to pay dividends. We have paid dividends on our common stock each year since 1912 and have increased the amount of dividends paid each year since 1973. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases, will determine both our ability to pay dividends on common stock and the amount of those dividends. There can be no assurance that we will continue to pay dividends in the future or, if dividends are paid, that they will be in amounts similar to past dividends.

**We are subject to anti-takeover measures that may be used by existing management to discourage, delay or prevent changes of control that might benefit non-management shareholders.**

Subsection 10A of the New Jersey Business Corporation Act, known as the Shareholder Protection Act, applies to us. The Shareholder Protection Act deters merger proposals, tender offers or other attempts to effect changes in our control that are not negotiated and approved by our Board of Directors. In addition, we have a classified Board of Directors, which means only one third of the Directors are elected each year. A classified Board can make it harder for an acquirer to gain control by voting its candidates onto the Board of Directors and may also deter merger proposals and tender offers. Our Board of Directors also has the ability, subject to obtaining BPU approval, to issue one or more series of preferred stock having such number of shares, designation, preferences, voting rights, limitations and other rights as the Board of Directors may fix. This could be used by the Board of Directors to discourage, delay or prevent an acquisition that might benefit non-management shareholders.

## FORWARD LOOKING STATEMENTS

We discuss certain matters in this prospectus which are not historical facts, but which are “forward-looking statements.” We intend these “forward-looking statements” to qualify for safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These “forward-looking statements” may include, but are not limited to, statements regarding:

- our expected profitability and results of operations;
- strategic plans for growth;
- the amount and timing of rate increases and other regulatory matters;
- expectations and events concerning capital expenditures; and
- the availability and quality of our water supply.

The “forward-looking statements” in this prospectus reflect what we currently anticipate will happen in each case. What actually happens could differ materially from what we currently anticipate will happen. We are not promising to make any public announcement when we think “forward-looking statements” in this document are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason.

Important matters that may affect what will actually happen include, but are not limited to, general stock market risks, government regulation and fluctuating economic conditions.



**COMMON STOCK PRICE RANGE AND DIVIDENDS**

Cash dividends on our common stock have been paid each year since 1912, and the annual dividend has increased every year since 1973. On January 29, 2004, the Board of Directors declared a quarterly cash dividend of \$0.165 per share paid on March 1, 2004, to shareholders of record on February 17, 2004, reflecting an increase of 2.3% from the same quarter last year.

The Board of Directors' policy has been to pay cash dividends on the common stock on a quarterly basis. Future cash dividends will be dependent upon our earnings, financial condition, capital demands and other factors, and will be determined in accordance with policies established by the Board of Directors.

Our common stock is listed on the Nasdaq National Market and trades under the symbol "MSEX." On March 31, 2004 we had 2,085 common shareholders of record.

The following table sets forth the range of sales prices of the common stock, as reported by the Nasdaq National Market and dividends paid thereon for the periods indicated. All share and per share amounts reflect the four-for-three common stock split effective November 14, 2003.

	Sales Price		Quarterly Cash Dividends
	High	Low	
<b>2004:</b>			
Second Quarter (through April 15, 2004)	\$ 21.81	\$ 20.30	
First Quarter	\$ 21.32	\$ 19.38	\$ 0.1650
<b>2003:</b>			
Fourth Quarter	\$ 21.12	\$ 18.19	\$ 0.1650
Third Quarter	21.23	17.72	0.1613
Second Quarter	18.49	16.32	0.1613
First Quarter	18.00	15.77	0.1613
<b>2002:</b>			
Fourth Quarter	\$ 17.36	\$ 15.38	\$ 0.1613
Third Quarter	19.43	13.73	0.1575
Second Quarter	20.04	15.53	0.1575
First Quarter	17.74	16.70	0.1575

## SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data for the periods indicated. All share and per share amounts reflect the four-for-three common stock split effective November 14, 2003. The selected consolidated financial data as of December 31, 2003 and 2002, and for the three years ended December 31, 2003, have been derived from our audited financial statements which have been incorporated by reference in this prospectus. The selected consolidated financial data as of December 31, 2001, 2000 and 1999, and for the two years ended December 31, 2000, have been derived from audited financial statements not included herein. The information set forth below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations located elsewhere in this prospectus and the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements incorporated by reference in this prospectus. Historical operating results are not necessarily indicative of results for any other period.

	Years Ended December 31,				
	2003	2002	2001	2000	1999
	(In thousands, except per share data)				
<b>Consolidated Income Statement Data</b>					
Operating Revenues	\$ 64,111	\$ 61,933	\$ 59,638	\$ 54,477	\$ 53,497
Operating Expenses	52,611	49,466	48,145	44,538	42,832
Net Income	6,631	7,765	6,953	5,305	7,881
Earnings Applicable to Common Stock	6,376	7,511	6,698	5,051	7,580
Earnings per Share of Common Stock:					
Basic	\$ 0.61	\$ 0.73	\$ 0.66	\$ 0.50	\$ 0.77
Diluted	0.61	0.73	0.66	0.50	0.76
Dividends Paid per Share of Common Stock	\$ 0.649	\$ 0.634	\$ 0.623	\$ 0.613	\$ 0.593
Average Number of Shares Outstanding:					
Basic	10,475	10,277	10,128	10,041	9,851
Diluted	10,818	10,621	10,472	10,385	10,294
	As of December 31,				
	2003	2002	2001	2000	1999
	(In thousands)				
<b>Consolidated Balance Sheet Data:</b>					
Total Assets	\$ 263,192	\$ 248,962	\$ 240,312	\$ 222,815	\$ 218,062
Utility Plant-Net	226,785	212,302	200,001	191,593	182,748
Common Equity	79,643	76,501	72,290	70,635	70,489
Convertible Preferred Stock	2,961	2,961	2,961	2,961	2,961
Nonredeemable Preferred Stock	1,102	1,102	1,102	1,102	1,102
Long-Term Debt (excluding current portion)	97,377	87,483	88,140	82,109	82,330
Total Debt	110,944	105,773	101,724	88,375	84,532

- (1) In 2001, we acquired the assets of a 300-customer water utility in Cumberland County, New Jersey, which we now operate as Bayview, and we also acquired Southern Shores, a 2,200-customer system in Southern Delaware.
- (2) Beginning January 1, 1999, USA-PA, along with Middlesex, has operated and maintained the City of Perth Amboy's water and wastewater systems.

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

The following information should be read in conjunction with the consolidated financial statements included in our Annual Report on Form 10-K/A for the year ended December 31, 2003, which is incorporated by reference in this prospectus.

### **Overview**

Middlesex Water Company has operated as a water utility in New Jersey since 1897, and in Delaware, through our wholly-owned subsidiary, Tidewater, since 1992. We are in the business of collecting, treating, distributing and selling water for domestic, commercial, municipal, industrial and fire protection purposes. We also operate a New Jersey municipal water and wastewater system under contract and provide wastewater services in New Jersey and Delaware through our subsidiaries. We are regulated as to rates charged to customers for water and wastewater services in New Jersey and for water services in Delaware, as to the quality of water service we provide and as to certain other matters. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities.

Our New Jersey water utility system (the "Middlesex System") provides water services to approximately 58,000 retail customers, primarily in central New Jersey. The Middlesex System also provides water service under contract to municipalities in central New Jersey with a total population of approximately 267,000. In partnership with our subsidiary, USA-PA, we operate the water supply system and wastewater system for the City of Perth Amboy, New Jersey. Our other New Jersey subsidiaries, Pinelands Water and Pinelands Wastewater, provide water and wastewater services to residents in Southampton Township, New Jersey.

Our Delaware subsidiaries, Tidewater and Southern Shores, provide water services to approximately 24,000 retail customers in New Castle, Kent and Sussex Counties, Delaware. Our other Delaware subsidiary, White Marsh, services an additional 1,900 customers in Kent and Sussex Counties.

The majority of our revenue is generated from retail and contract water services to customers in our service areas. We record water service revenue as such service is rendered and include estimates for amounts unbilled at the end of the period for services provided after the last billing cycle. Fixed service charges are billed in advance by our subsidiary, Tidewater, and are recognized in revenue as the service is provided.

Our ability to increase operating income and net income is based significantly on three factors: weather, adequate and timely rate increases, and customer growth. These factors are evident in the discussions below which compare our results of operations from prior years. Cool, wet weather led to lower revenues and earnings in 2003. Rate increases for Middlesex and many of our subsidiaries increased revenues and net income in 2002 and 2001. Customer growth in our Delaware service territories has increased revenues greater than the cost to serve these new customers.

### **Results of Operations in 2003 Compared to 2002**

Operating revenues for the year rose \$2.2 million or 3.5% over the same period in 2002. Customer growth of 10.9% in Delaware provided additional facility charges and connection fees of \$1.4 million. Higher base rates in our Delaware service territories provided \$0.6 million of the increase. Though we anticipate continued growth in the number of customers and increased water consumption among our Delaware systems, such growth and increased consumption cannot be guaranteed. Additionally, weather conditions may adversely impact future consumption despite anticipated growth in the number of customers. For example, for the year ended December 31, 2003, cool wet weather in the Mid-Atlantic region pushed Tidewater's consumption revenue down by \$0.3 million and Middlesex consumption revenue down by \$0.5 million. Despite such adverse weather conditions, revenues from our operations and maintenance contracts rose \$0.5 million due to scheduled increases in fixed fees under the City of Perth Amboy contract.

New wastewater operations in Delaware provided \$0.1 million in additional revenues. Our new meter services venture provided \$0.3 million in additional revenues. All other operations accounted for \$0.1 million of the higher revenues.



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Operating expenses increased by \$3.1 million or 6.4%. Costs related to main breaks resulting from severe winter weather conditions in the first quarter of 2003 contributed to additional expenses of \$0.4 million. There were also higher sewer disposal fees and security costs for USA-PA that helped increase costs by \$0.6 million. An increase in our Delaware employee base, general wage increases and higher costs associated with employee medical and retirement benefits pushed up costs by \$0.7 million. In New Jersey, payroll costs, employee benefits and legal fees pushed up costs by \$0.9 million. Non-regulated operations of meter installations and wastewater, which began in 2003, contributed \$0.3 million of the overall expense increase.

Water treatment, source of supply and pumping costs increased by \$0.5 million combined. Going forward we anticipate an increase in New Jersey's electric generation costs due to deregulation of electricity and an increase of at least 8.5% in the cost of untreated water purchased under a new contract with the New Jersey Water Supply Authority. These increasing costs, in addition to higher business insurance and security costs prompted us to file for a 17.8% base rate increase with the BPU for Middlesex and a 19.02% base rate increase for Pinelands. We cannot predict whether the BPU will approve, deny or reduce the amount of our requests; however, despite the outcome, we will continue to seek rate increases in the future where increased operating costs and capital investment necessitate such action.

Depreciation expense for 2003 increased by \$0.4 million, or 8.1%, due to a higher level of utility plant in service. Allowance for funds used during construction rose 17.0% for the year as Tidewater's capital program now includes larger projects with longer construction schedules. As our investment in utility plant increases, we continue to seek timely rate relief either through base rate filings as discussed above or through other means such as the Distribution System Improvement Charge (DSIC) in Delaware. The DSIC is a separate rate mechanism that allows for cost recovery of certain capital improvement costs incurred in between base rate filings. Delaware regulated water utilities are allowed to apply for a DSIC every six months with the maximum increase limited to 5.0% in any twelve month period and a 7.5% overall limitation. The PSC approved an increase in Tidewater's DSIC to 4.89% of base rates from 2.49%, effective January 1, 2004. In addition, because Tidewater continues to make significant capital additions and improvements to its new and existing systems, it believes it will be necessary to file for a base rate increase by early spring 2004. That increase request, which is expected to be in excess of 20.0%, is due to the \$20.0 million of additional utility plant placed in service or to be placed in service since the last rate case.

Other taxes increased by \$0.1 million generally due to higher payroll related taxes and real estate taxes in both New Jersey and Delaware. Lower federal income taxes of \$0.8 million over last year are attributable to the reduced operating results for 2003 as compared to 2002.

Other income decreased by \$0.1 million as interest rates fell on short-term cash balance investments. Interest expense increased by \$0.1 million due to a higher level of overall debt outstanding as compared to last year.

Net income decreased to \$6.6 million from \$7.8 million and basic and diluted earnings per share decreased by \$0.12 to \$0.61 due to lower earnings.

### **Results of Operations in 2002 Compared to 2001**

Operating revenues increased \$2.3 million or 3.9% over the prior year. Higher base rates in New Jersey and Delaware provided \$1.9 million of the increase. A full year of ownership of the Bayview and Southern Shores systems generated additional revenue of \$0.4 million. Service fees from our operation and maintenance contracts rose \$0.2 million due to an increase in fixed fees for sewer disposal under the City of Perth Amboy contract.

Consumption revenues decreased by \$0.2 million. Drought restrictions in New Jersey caused decreased usage in the amount of \$1.3 million. The continued double-digit growth of our Tidewater customer base offset \$1.1 million of the lower consumption revenues.

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Operating expenses increased \$1.3 million for the year. Operation and maintenance expenses accounted for \$1.0 million of the increase. There were higher sewer costs of \$0.2 million for USA-PA. General wage increases, higher costs associated with employee medical and retirement benefits and an increase in our Delaware employee base, pushed up operation and maintenance costs by \$0.7 million. Approximately \$0.2 million was due to the inclusion of expenses of Southern Shores for the entire year. Increases in business insurances, audit fees and stock exchange filing fees amounted to \$0.2 million. A favorable decrease in water production and treatment costs of \$0.3 million was due to drought related consumption decreases in our New Jersey operations.

Other taxes increased by \$0.1 million due to higher revenue related taxes in New Jersey, increased real estate taxes and payroll taxes in both New Jersey and Delaware. Higher federal income taxes of \$0.2 million over 2001 were attributable to favorable operating results over that year.

Depreciation expense decreased by \$0.1 million, or 1.7%, due to the full recovery of our investment in transportation equipment, which we depreciate at a higher rate than our mains and appurtenances.

Allowance for funds used during construction rose \$0.1 million for the year as the capital programs of Middlesex Water Company and Tidewater now include larger projects with longer construction periods. Other income was lower by \$0.3 million due mostly to the recognition of a one time gain reported in 2001 by a small investor-owned water utility in southern Delaware, in which we own a 23% interest.

Even though there was a higher level of long-term and short-term debt outstanding compared to 2001, lower interest rates on short-term debt and the \$6.0 million refinancing of long-term debt at a lower rate helped to keep the interest expense increase to 2.0% or \$0.1 million.

Net income rose to \$7.8 million from \$7.0 million and basic and diluted earnings per share rose \$0.07 from \$0.66 to \$0.73 per share due to higher earnings.

### **Outlook**

Our revenues should continue to increase in 2004 as we expect customer growth in Delaware and our pursuit of non-regulated opportunities in Delaware and elsewhere to continue. The level of revenues and earnings will be impacted by the ultimate outcome of the New Jersey base rate cases currently under review by the BPU and the anticipated base rate filing in Delaware for Tidewater. Revenues and earnings will also be influenced by weather. Changes in these factors as well as our projected capital program are the primary factors that will determine the need for future rate increase filings.

We continue to explore viable plans to streamline operations and reduce costs, particularly in Delaware, where customer growth continues to exceed industry averages. Part of the challenge is that our Delaware operations are a combination of over 70 stand-alone production and distribution systems serving 240 communities.

### **Liquidity and Capital Resources**

Our ability to increase cash flows from operations are largely based on three factors: weather, adequate and timely rate increases, and customer growth. The effect of those factors on net income is discussed in results of operations. For 2003, net cash flow from operations of \$14.2 million, which increased over 2002 due to lower working capital requirements, and proceeds from prior year financings allowed us to fund approximately 85% of our 2003 utility plant expenditures. Net proceeds from issuing long-term debt were used to fund the balance of those expenditures.

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As shown in the following table, we expect our capital expenditures in 2004 and 2005 to increase over 2003. These increases are attributable to a major pipeline installation in the Middlesex System and continued customer growth and service improvement requirements in our Tidewater Systems in Delaware, where we spent \$11.9 million on utility plant in 2003.

	Years Ending December 31,		
	2004	2005	2006
	(Millions of Dollars)		
Delaware Systems	\$14.1	\$12.8	\$ 7.6
Raw Water Line	6.0	4.0	0.0
RENEW Program	3.8	3.0	3.0
Scheduled Upgrades to Existing Systems	4.8	4.6	3.5
<b>Total</b>	<b>\$28.7</b>	<b>\$24.4</b>	<b>\$14.1</b>

Under our capital program for 2004, we plan to expend \$14.1 million for water system additions and improvements for our Delaware systems, which include the construction of two elevated tanks, a sludge removal plant and the creation of several new wells and interconnections. The two-year, \$10.0 million project to construct the second raw water line to the Middlesex primary water treatment plant is expected to begin in 2004. We expect to spend \$3.8 million for the RENEW program, which is our program to clean and cement line unlined mains in the Middlesex System. There remains a total of approximately 138 miles of unlined mains in the 730-mile Middlesex System. In 2003, 5.3 miles of unlined mains were cleaned and cement lined. The capital program also includes \$4.8 million for scheduled upgrades to our existing systems in New Jersey. The scheduled upgrades consist of \$0.8 million for mains, \$0.8 million for service lines, \$0.4 million for meters, \$0.3 million for hydrants, \$0.2 million for computer systems and \$2.3 million for various other items.

To pay for our capital program in 2004, we will utilize internally generated funds and funds available under existing New Jersey Environmental Infrastructure Trust loans (currently, \$3.8 million) and Delaware State Revolving Fund loans (currently, \$3.0 million), which provide low cost financing for projects that meet certain water quality and system improvement benchmarks. If necessary, we will also utilize short-term borrowings through \$25.0 million of available lines of credit with three commercial banks. As of December 31, 2003, we had \$12.5 million outstanding against the lines of credit. We expect to use the net proceeds from the sale of our Common Stock in this offering to repay our outstanding short-term borrowings.

Going forward into 2005 through 2006, we currently project that we will be required to expend approximately \$38.5 million for capital projects. Plans to finance those projects are underway as we expect to receive approval to borrow up to \$17.0 million under the New Jersey Environmental Infrastructure Trust program in November of 2004. We anticipate that some of the capital projects in Delaware will be eligible for the Delaware State Revolving Fund program in that state and we are pursuing those opportunities. We also expect to use internally generated funds and proceeds from the sale of common stock through the Dividend Reinvestment and Common Stock Purchase Plan.

Increases in certain operating costs will impact our liquidity and capital resources. As described in our results of operations discussion, we have filed for rate relief for Middlesex and the Pinelands Companies. There is no certainty, however, that the BPU will approve any or all of the requested increase. We also plan to file for a base rate increase for Tidewater by early spring.

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### Contractual Obligations

The table below presents our known contractual obligations for the periods specified. The purchased water amounts include the effect of the new agreement with the New Jersey Water Supply Authority effective January 1, 2004.

	Payment Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
			(Millions of Dollars)		
Long-Term Debt	\$ 98.4	\$ 1.1	\$ 2.2	\$ 2.3	\$ 92.8
Purchased Water Contracts	25.6	3.9	6.2	4.5	11.0
Wastewater Operations	64.4	3.7	11.6	12.6	36.5
<b>Total</b>	<b>\$ 188.4</b>	<b>\$ 8.7</b>	<b>\$ 20.0</b>	<b>\$ 19.4</b>	<b>\$ 140.3</b>

### Guarantees

USA-PA operates the City of Perth Amboy's (Perth Amboy) water and wastewater systems under a service contract agreement through June 30, 2018. The agreement was effected under New Jersey's Water Supply Public/Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act. Under the agreement, USA-PA receives a fixed fee and a variable fee based on increased system billing. Scheduled fixed fee payments began at \$6.4 million in the first year and will increase over the term of the contract to \$9.7 million.

In connection with the agreement, Perth Amboy, through the Middlesex County Improvement Authority, issued approximately \$68.0 million in three series of bonds. Middlesex guaranteed one of those series of bonds, which are designated the Series C Serial Bonds, in the principal amount of approximately \$26.3 million. Perth Amboy guaranteed the two other series of bonds. The Series C Serial Bonds have various maturity dates with the final maturity date on September 1, 2015. As of December 31, 2003, approximately \$24.4 million of the Series C Serial Bonds remained outstanding.

We are obligated to perform under the guarantee in the event notice is received from the Series C Serial Bonds trustee of an impending debt service deficiency. If Middlesex funds any debt service obligations as guarantor, there is a provision in the agreement that requires Perth Amboy to reimburse us. There are other provisions in the agreement that we believe make it unlikely that we will be required to perform under the guarantee, such as scheduled annual rate increases for the water and wastewater services as well as rate increases due to unforeseen circumstances. In the event revenues from customers could not satisfy the reimbursement requirements, Perth Amboy has Ad Valorem taxing powers, which could be used to raise the needed amount.

### Critical Accounting Policies and Estimates

The application of accounting policies and standards often requires the use of estimates, assumptions and judgments. Changes in these variables may lead to significantly different financial statement results. Our critical accounting policies are set forth below.

#### Regulatory Accounting

We maintain our books and records in accordance with accounting principles generally accepted in the United States of America. Middlesex and certain of its subsidiaries, which account for 87% of Operating Revenues and 99% of Total Assets, are subject to regulation in the state in which they operate. Those companies are required to maintain their accounts in accordance with regulatory authorities' rules and guidelines, which may differ from other authoritative accounting pronouncements. In those instances, the Company follows the guidance provided in the Financial Accounting Standards Board (FASB), Statement of Financial Accounting Standards (SFAS) No. 71, "Accounting For the Effects of Certain Types of Regulation."

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In accordance with SFAS No. 71, we defer costs and obligations if it is probable that these items will be recognized for rate-making purposes in future rates. Accordingly, we have recorded costs and obligations, which will be amortized over various future periods. Any change in the assessment of the probability of rate-making treatment will require us to change the accounting treatment of the deferred item. We do not believe any of the deferred items we have recorded will be treated differently by the regulators in the future.

### Revenues

Revenues from metered customers include amounts billed on a cycle basis and unbilled amounts estimated from the last meter reading date to the end of the accounting period. The estimated unbilled amounts are determined by utilizing factors which include historical consumption usage and current climate conditions. Differences between estimated revenues and actual billings are recorded in a subsequent period.

Revenues from unmetered customers are billed at a fixed tariff rate in advance at the beginning of each service period and are recognized in revenue ratably over the service period.

Revenues from the City of Perth Amboy management contract are comprised of fixed and variable fees. Fixed fees, which have been set for the life of the contract, are billed monthly and recorded as earned. Variable fees, which are based on billings and other factors and are not significant, are recorded upon approval of the amount by the City.

### Pension Plan

We maintain a noncontributory defined benefit pension plan which covers substantially all employees with more than 1,000 hours of service.

The discount rate utilized for determining future pension obligations has decreased from 7.25% at December 31, 2001 to 6.75% at December 31, 2002 to 6.00% at December 31, 2003. Lowering the discount rate by 0.5% would have increased the net periodic pension cost by \$0.1 million in 2003. Lowering the expected long-term rate of return on the pension plans by 0.5% (from 8.0% to 7.5%) would have increased the net periodic pension cost in 2003 by approximately \$0.1 million.

Future actual pension income will depend on future investment performance, changes in future discount rates and various other factors related to the population participating in the pension plans.

### Accounting Standards

FASB issued SFAS No. 149, Amendments of Statement 133 on Derivative Instruments and Hedging Activities ("SFAS 149"), which amends and clarifies financial accounting and reporting for derivative instruments and for hedging activities under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 149 is generally effective after June 30, 2003. The adoption of SFAS 149 did not have any effect on our financial statements.

FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities And Equity ("SFAS 150"), which establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have any effect on our financial statements.

In January 2003, FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements ("FIN 46"). The adoption of FIN 46 (as amended) is not expected to have any effect on our financial statements.

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In December 2003, FASB issued SFAS No. 132 (Revised) Employees Disclosure about Pension and Other Postretirement Benefits, which expands the disclosure requirements of these employee benefits. The adoption of SFAS No. 132 (Revised) had no effect on our financial position or results of operations.

SFAS No. 143, "Accounting for Asset Retirement Obligations" became effective January 1, 2003. Upon adoption of SFAS No. 143, the fair value of a liability for an asset retirement obligation is required to be recorded. The Company collects the estimated removal costs of utility plant in rates through depreciation in accordance with regulatory treatment. At December 31, 2003, the Company reclassified the estimated removal costs of \$4.8 million from accumulated depreciation to a regulatory liability. At December 31, 2002, \$4.4 million was reclassified from accumulated depreciation to removal costs for utility plant retirement obligations. This reclassification had no impact on the Company's results of operations.

## OUR COMPANY

### Overview

Middlesex Water Company was incorporated as a water utility company in 1897 and owns and operates regulated water utility systems in central and southern New Jersey and in Delaware as well as a regulated wastewater utility in southern New Jersey. We also operate water and wastewater systems on behalf of others in New Jersey and Delaware.

#### *Middlesex System*

The Middlesex System provides water services to approximately 58,000 retail customers, primarily in eastern Middlesex County, New Jersey and provides water under contract to the Township of Edison, the Boroughs of Highland Park and Sayreville, and both the Old Bridge and the Marlboro Township Municipal Utilities Authorities. The Middlesex System treats, stores and distributes water for residential, commercial, industrial and fire prevention purposes. Under a special contract, the Middlesex System also provides water treatment and pumping services to the Township of East Brunswick. The Middlesex System, through its retail and contract sales, produced approximately 70% of our 2003 revenue.

The Middlesex System's retail customers are located in an area of approximately 55 square miles in Woodbridge Township, the City of South Amboy, the Boroughs of Metuchen and Carteret, portions of Edison Township and the Borough of South Plainfield in Middlesex County and, to a minor extent, a portion of the Township of Clark in Union County. The retail customers include a mix of residential customers, large industrial concerns and commercial and light industrial facilities. These retail customers are located in generally well-developed areas of central New Jersey. The contract customers of the Middlesex System comprise an area of approximately 141 square miles with a population of approximately 267,000. Contract sales to Edison, Sayreville, Old Bridge and Marlboro are supplemental to the existing water systems of these customers. The State of New Jersey in the mid-1980's approved plans to increase available surface water supply to the South River Basin area of the state to permit a reduced use of ground water in this area. The Middlesex System provides treated surface water under long-term agreements to East Brunswick, Marlboro, Old Bridge and Sayreville consistent with the state-approved plan.

#### *Tidewater System*

Tidewater, together with its wholly-owned subsidiary, Southern Shores Water Company, LLC, provides water services to approximately 24,000 retail customers for domestic, commercial and fire protection purposes in over 240 separate community water systems in New Castle, Kent and Sussex Counties, Delaware. The Tidewater System produced approximately 15% of our total revenue in 2003. Tidewater has another wholly-owned subsidiary, White Marsh Environmental Systems, Inc., which owns the office building that Tidewater uses as its business office, and which operates water and wastewater systems under contract. White Marsh's rates for water and wastewater operations are not regulated by the Delaware Public Service Commission (PSC).

#### *Utility Service Affiliates (Perth Amboy)*

USA-PA operates the City of Perth Amboy's water and wastewater systems under a 20-year agreement, which expires in 2018. Perth Amboy has a population of 40,000 and has approximately 9,300 customers, most of whom are served by both systems. The agreement was effected under New Jersey's Water Supply Public-Private Contracting Act and the New Jersey Wastewater Public/Private Contracting Act and requires USA-PA to lease from Perth Amboy all of its employees who currently work on the Perth Amboy water and wastewater systems. Under the agreement, USA-PA receives both fixed and variable fees based on increased system billing. Fixed fee payments began at \$6.4 million in the first year and are to increase over the term of the 20-year contract to \$9.7 million. Variable fees in 2003 were approximately \$0.2 million. USA-PA produced approximately 12.5% of our total revenue in 2003.

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In connection with the agreement, we guaranteed a series of bonds in the principal amount of approximately \$26.3 million. In addition to the agreement with Perth Amboy, USA-PA entered into a 20-year subcontract with a wastewater operating company for the operation and maintenance of the Perth Amboy wastewater system. The subcontract provides for the sharing of certain fixed and variable fees and operating expenses.

### *Pinelands System*

Pinelands Water services approximately 2,300 residential customers in Burlington County, New Jersey. Pinelands produced less than 1% of our total revenue in 2003.

Pinelands Wastewater services approximately 2,300 primarily residential retail customers. Under contract, it also services one municipal wastewater system in Burlington County, New Jersey with about 200 residential customers. Pinelands Wastewater produced approximately 1% of our total revenue in 2003.

### *Utility Service Affiliates, Inc.*

In 1999, we implemented a franchise agreement with the City of South Amboy (“South Amboy”) to provide water service and install water system facilities in South Amboy. The South Amboy franchise was approved by the Board of Public Utilities (BPU) and its implementation significantly impacted two existing agreements entered into by the parties. The first agreement was for the sale of water to South Amboy on a wholesale basis. The second agreement was for the provision of management services for a fixed fee.

Middlesex and USA have jointly entered into a venture with an entity that offers meter installation and related services. This venture seeks to obtain competitively bid service contracts with municipalities in the Mid-Atlantic and New England regions. The contract work may include any or all of the following: meter purchases, replacement meter program, new meter program and meter testing. USA also offers a service line maintenance program to residential customers in the Middlesex system. These businesses contributed less than 1% of our total revenue in 2003.

### *Bayview System*

In April 2001, Bayview bought the assets of a 300-customer water utility in Cumberland County, New Jersey. Bayview produced less than 1% of our total revenue in 2003.

## **Our Strategy**

We strive to increase shareholder value by:

- maintaining and strengthening our position as a reliable provider of quality water and wastewater services;
- continuing to increase our retail customer base in Delaware;
- providing new water and wastewater service related businesses that are not regulated utilities;
- acquiring other water and wastewater utilities; and
- pursuing additional contracts for the operation and management of municipal water and wastewater systems.

### ***Maintain and Strengthen our Position as a Reliable Provider of Quality Water and Wastewater Services***

We believe that our water quality meets or is better than all primary regulatory requirements for water quality. We also believe that we have adequate supplies to provide water in sufficient quantities to meet our customers’ current and future requirements in all of our service areas. In order to maintain and improve our ability to provide quality water in sufficient quantities, we regularly upgrade our facilities. We completed the



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upgrade and expansion of our Carl J. Olsen Plant in Edison, New Jersey in 2000 in order to meet more stringent regulatory requirements anticipated for water quality and to increase our capacity to meet peak-day demands for water in the utility system serviced by the plant.

We also continue to improve our central New Jersey distribution system by cleaning and cement lining unlined pipe through our RENEW Program (“RENEW”). In 2003, we cleaned and lined 5.3 miles of water main in Woodbridge Township, New Jersey. This program helps eliminate interior pipe restrictions and improves water quality and flow. In addition to rehabilitating the older water mains, RENEW provides for new valves, hydrants and service lines to be installed where necessary. Since establishing RENEW in 1995, we have rehabilitated approximately 53.5 miles of water main. Since 1999, the funding for this program has come from low-interest loans from the State Revolving Fund Program administered by the New Jersey Environmental Infrastructure Trust.

### ***Continue to Increase our Retail Customer Base in Delaware***

Since 1992, we have increased our retail customer base in Delaware from approximately 3,000 to approximately 24,000 through acquisitions and customer growth. In August 2001, our Tidewater subsidiary acquired Southern Shores, a 2,200-customer system in southern Delaware. Our customer base in Delaware has the potential to grow substantially with the existing territories we currently serve. The developments we either serve or have entered into contracts to serve have obtained approvals to build additional housing units. If those additional housing units are built and sold, we project our customer base would grow to 38,000 customers, without the acquisition of additional housing units. Further, there is significant economic development and population growth within and near many of our Delaware service areas. For example, according to the United States Census Bureau, from 1990-2000, the population in Kent and Sussex Counties increased 14.1% and 38.3%, respectively.

### ***Provide New Water and Wastewater Service Related Businesses that are not Regulated Utilities***

White Marsh has begun a campaign to acquire contracts to operate non-regulated wastewater systems throughout Delaware. Systems currently under contract or expected to be signed shortly will generate annual revenues of approximately \$0.1 million. We believe this campaign puts us in a better position to obtain additional water and wastewater projects in Delaware.

Middlesex Water Company and USA have jointly entered into a venture with an entity that offers meter installation and related services. This venture seeks to obtain competitively bid service contracts with municipalities in the Mid-Atlantic and New England regions. The contract work may include any or all of the following: meter purchases, replacement meter program, new meter program and meter testing.

### ***Acquire Other Water and Wastewater Utilities***

We have successfully grown through acquisitions in the past and will continue to seek such growth opportunities in the future. We intend to continue to pursue acquisitions of municipally-owned and investor-owned water and wastewater systems and will continue to engage in activities with respect to potential acquisitions, such as identifying suitable acquisition opportunities, analyzing and investigating potential acquisitions, and attempting to negotiate mutually agreeable terms with acquisition candidates.

### ***Pursue Additional Contracts for the Operation and Management of Municipal Water and Wastewater Systems***

Since January 1, 1999, USA-PA has operated and maintained the City of Perth Amboy’s water and wastewater systems. We are paid both fixed and variable fees based on increased system billings. In light of the success we have had with this contract, we continue to seek opportunities to enter into contracts with additional

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municipalities to operate their water and wastewater systems. For example, in August 2003, we submitted a bid to operate water and wastewater facilities for two major military installations located in New Jersey. In addition, we have been awarded an operation and maintenance contract with the town of Ocean View, Delaware. Such contracts provide another way for us to expand our service territories and increase the number of customers we serve.

### Summary of Statistical Information (Consolidated Operations)

The following table sets forth certain of our summary statistical information.

	Years Ended December 31,				
	2003	2002	2001	2000	1999
(In thousands)					
<b>Revenues</b>					
Residential	\$ 25,272	\$ 24,793	\$ 22,916	\$ 20,640	\$ 19,724
Commercial	6,299	6,032	6,054	5,691	5,447
Industrial	7,131	7,368	7,544	7,116	6,483
Fire Protection	6,830	6,495	6,182	5,816	5,477
Contract Sales	8,458	8,728	8,806	7,808	8,321
Contract Operations	8,065	7,465	7,288	6,837	7,489
Other	2,056	1,052	848	569	556
<b>Total</b>	<b>\$ 64,111</b>	<b>\$ 61,933</b>	<b>\$ 59,638</b>	<b>\$ 54,477</b>	<b>\$ 53,497</b>
Customers	109,700	104,900	101,700	96,200	91,900
Population Served (Retail)	373,000	363,000	351,000	337,000	322,000
Miles of Main	1,150	1,118	1,070	1,011	967
Fire Hydrants	5,953	5,791	5,663	5,250	5,049
Pumpage (million gallons)	20,015	19,895	20,272	19,323	19,840
Average Daily Pumpage (million gallons)	54.8	54.5	55.5	52.8	54.4

### Water Supplies and Contracts

Our New Jersey and Delaware water supply systems are physically separate and are not interconnected. In New Jersey, the Pinelands System and Bayview System are not interconnected with the Middlesex System or each other. We believe we have adequate sources of water supply to meet the current and anticipated future service requirements of our present customers in New Jersey and Delaware.

#### *Middlesex System*

Our Middlesex System, which produced 16.6 billion gallons in 2003 and 16.5 billion gallons in 2002, obtains water from surface sources and wells, which we call groundwater sources. In 2003 and 2002, surface sources of water provided approximately 70% of the Middlesex System's water supply, groundwater from wells provided approximately 23% and the balance of 7% was purchased from a nonaffiliated water utility. Middlesex System's distribution storage facilities are used to supply water to its customers at times of peak demand, outages and emergencies.

The principal source of surface water supply for the Middlesex System is the Delaware & Raritan Canal, which is owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority. Middlesex has recently entered into a renewed and modified agreement with the New Jersey Water Supply Authority, which is effective January 1, 2004 and expires November 30, 2023, and provides an average purchase of 27 million gallons per day of untreated water from the Delaware & Raritan Canal, augmented by the Round Valley/Spruce Run Reservoir System. We project that due to the renewed and modified agreement, expenses resulting from this agreement will increase our cost of raw water by at least 8.5% annually on a going forward basis. Surface water is pumped to and treated at the Carl J. Olsen (CJO) Plant. Middlesex also has an

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agreement with a nonaffiliated water utility for the purchase of treated water. This agreement, which expires December 31, 2005, provides for the minimum purchase of 3 million gallons per day of treated water with provisions for additional purchases. Purchased water costs are shown below:

<u>Purchased Water</u>	Years Ended December 31,		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
	(Millions of Dollars)		
Untreated	\$2.0	\$1.9	\$2.0
Treated	1.8	1.8	1.7
<b>Total Costs</b>	<b>\$3.8</b>	<b>\$3.7</b>	<b>\$3.7</b>

Our Middlesex System also derives water from groundwater sources equipped with electric motor-driven, deepwell turbine-type pumps. The Middlesex System has 31 wells, which provide an aggregate pump capacity of approximately 27 million gallons per day.

### *Tidewater System*

Our Tidewater System, which produced 1.3 billion gallons in 2003 and 1.4 billion gallons in 2002, obtains 100% of its water from 209 wells. In 2003, we placed eleven new wells in service and also deactivated, sealed and abandoned fifteen wells. Tidewater continues to submit applications to Delaware regulatory authorities for the approval of additional wells as growth, demand and water quality warrants. The Tidewater System does not have a central treatment facility but has several regional filter plants. Several of its water systems in New Castle, Kent and Sussex Counties, Delaware have interconnected transmission systems.

### *Pinelands System*

Water supply to our Pinelands System is derived from four wells drilled into the Mt. Laurel aquifer, which provided overall system delivery of 163 million gallons in 2003 and 155 million gallons in 2002. The pump capacity for the four wells is 2.2 million gallons per day.

### *Bayview System*

Water supply to Bayview customers is derived from two wells, which provided an overall system delivery of 10 million gallons in 2003 and 11 million gallons in 2002. Each well has treatment facilities. Bayview has completed the replacement of its entire distribution system with approximately 16,000 feet of mains, valves and hydrants.

### *Pinelands Wastewater System*

The Pinelands Wastewater System discharges into the South Branch of the Rancocas Creek through a tertiary treatment plant that provides clarification, sedimentation, filtration and disinfection. The total capacity of the plant is 0.5 million gallons per day. Current average flow is 0.3 million gallons per day. Pinelands has a current valid discharge permit issued by the New Jersey Department of Environmental Protection ("DEP").

### **Utility Plant**

The water utility plant in our systems consist of source of supply, pumping, water treatment, transmission and distribution, general facilities and all appurtenances, including all connecting pipes.

### *Middlesex System*

The Middlesex System's principal source of surface supply is the Delaware & Raritan Canal owned by the State of New Jersey and operated as a water resource by the New Jersey Water Supply Authority.

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Water is withdrawn from the Delaware & Raritan Canal at New Brunswick, New Jersey through our intake and pumping station located on state-owned land bordering the canal. It is transported through our 54-inch supply main for treatment and distribution at our CJO Plant in Edison, New Jersey. The design capacity of our raw water supply main is 55 million gallons per day. Facilities at the CJO Plant consist of source of supply, pumping, water treatment, transmission, storage, laboratory and general facilities. In 2000, we substantially completed the upgrade and expansion of the CJO Plant, which began in 1997. We monitor water quality at the CJO Plant, at each well field and throughout the distribution system to determine that federal and state water quality standards are met.

The design capacity of the intake and pumping station in New Brunswick, New Jersey, and the raw water supply main located there, is 80 million gallons per day. The four electric motor-driven, vertical turbine pumps presently installed have an aggregate design capacity of 82 million gallons per day. Associated facilities are the 4,900 feet of 54-inch reinforced concrete water main connecting the intake and pumping station with the CJO Plant, 23,200 feet of 48-inch reinforced concrete transmission main connecting the CJO Plant to our distribution pipe network, and related storage, pumping, control, laboratory and other facilities. We also have a 58,600 foot transmission main, a 38,800 foot transmission main, and a long-term, non-exclusive agreement with the East Brunswick system, all used to transport water to several of our contract customers.

The CJO Plant includes chemical storage and chemical feed equipment, two dual rapid mixing basins, four upflow clarifiers which are also called superpulvators, four underground reinforced chlorine contact tanks, twelve rapid filters containing gravel, sand and anthracite for water treatment and a steel washwater tank. The CJO Plant also includes a computerized Supervisory Control and Data Acquisitions system to monitor and control the CJO Plant and the water supply and distribution system in the Middlesex System. The firm design capacity of the CJO Plant is now 45 million gallons per day (60 million gallons per day maximum capacity). The main pumping station at the CJO Plant has a design capacity of 90 million gallons per day. The four electric motor-driven, vertical turbine pumps presently installed have an aggregate capacity of 72 million gallons per day.

In addition to the main pumping station at the CJO Plant, there is a 15 million gallons per day auxiliary pumping station located in a separate building. It has a dedicated substation and emergency power supply provided by a diesel-driven generator. It pumps from the 10 million gallon distribution storage reservoir directly into the distribution system.

Middlesex System's storage facilities consist of a 10 million gallon reservoir at the CJO Plant, 5 million gallon and 2 million gallon reservoirs in Edison (Grandview), a 5 million gallon reservoir in Carteret (Eborn) and a 2 million gallon reservoir at the Park Avenue Well Field.

In New Jersey, we own the properties on which Middlesex System's 31 wells are located, the properties on which our storage tanks are located as well as the property where the CJO Plant is located. We also own our headquarters complex located at 1500 Ronson Road, Iselin, New Jersey, consisting of a 27,000 square foot, two story office building and an adjacent 16,500 square foot maintenance facility.

### *Tidewater System*

The Tidewater System's storage facilities include 36 storage tanks, with an aggregate capacity of 3.9 million gallons. Our Delaware operations are managed from Tidewater's leased offices in Dover, Delaware and Millsboro, Delaware. Tidewater's Dover, Delaware office property, located on property owned by White Marsh, consists of a 6,800 square foot office building situated on an eleven-acre lot. White Marsh also owns another business site for which it is exploring several options for future use.

### *Pinelands System*

Pinelands Water Company owns well site and storage properties that are located in Southampton Township, New Jersey. Pinelands Water storage facility is a 1.2 million gallon standpipe.

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### *Pinelands Wastewater System*

Pinelands Wastewater Company owns a 12 acre site on which its 0.5 million gallons per day capacity tertiary treatment plant and connecting pipes are located.

### *Bayview System*

Bayview owns two wells, which are located in Downe Township, Cumberland County, New Jersey.

### *USA-PA, USA and White Marsh*

Our non-regulated subsidiaries, namely USA-PA, USA and White Marsh, do not own utility plant property.

## **Employees**

As of December 31, 2003, we had a total of 148 employees in New Jersey, and a total of 61 employees in Delaware. In addition, we lease 24 employees under the USA-PA contract with the City of Perth Amboy, New Jersey. No employees are represented by a union except the leased employees. We believe our employee relations are good. Wages and benefits, other than for leased employees, are reviewed annually and are considered competitive within the industry.

## **Competition**

Our business in our franchised service area is substantially free from direct competition with other public utilities, municipalities and other entities. However, our ability to provide some contract water supply and wastewater services and operations and maintenance services is subject to competition from other public utilities, municipalities and other entities. Although Tidewater has been granted an exclusive franchise for each of its existing community water systems, its ability to expand service areas can be affected by the PSC awarding franchises to other regulated water utilities.

## **Regulation**

We are regulated as to rates charged to customers for water and wastewater services in New Jersey and for water services in Delaware, as to the quality of water service we provide and as to certain other matters. Only our USA, USA-PA and White Marsh subsidiaries are not regulated utilities. We are subject to environmental and water quality regulation by the United States Environmental Protection Agency ("EPA"), and the New Jersey Department of Environmental Protection ("DEP") with respect to operations in New Jersey and the Delaware Department of Natural Resources and Environmental Control ("DNREC"), Delaware Department of Health and Social Services-Division of Public Health ("DPH"), and the Delaware River Basin Commission ("DRBC") with respect to operations in Delaware. In addition, our issuances of securities are subject to the prior approval of the BPU or the PSC.

### *Regulation of Rates and Services*

New Jersey water and wastewater service operations (excluding the operations of USA-PA) are subject to regulation by the BPU. Similarly, our Delaware water service operations are subject to regulation by the PSC. These regulatory authorities have jurisdiction with respect to rates, service, accounting procedures, the issuance of securities and other matters of utility companies operating within the States of New Jersey and Delaware, respectively. For ratemaking purposes, we account separately for operations in New Jersey and Delaware to facilitate independent ratemaking by the BPU for New Jersey operations and the PSC for Delaware operations.

In determining our rates, the BPU and the PSC consider the income, expenses, rate base of property used and useful in providing service to the public and a fair rate of return on that property each within its separate

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jurisdiction. Rate determinations by the BPU do not guarantee particular rates of return to us for our New Jersey operations or do rate determinations by the PSC guarantee particular rates of return for our Delaware operations. Thus, we may not achieve the rates of return permitted by the BPU or the PSC.

Middlesex Water Company filed a 17.8% base rate increase petition with the BPU on November 5, 2003. Increased operating expenses and utility plant investment necessitated the rate increase request. We filed a base rate increase petition with the BPU for Pinelands on December 30, 2003, requesting an overall increase for those systems of 19.02%. Tidewater believes it will be necessary to file for a base rate increase before April 30, 2004. In accordance with the tariff established for Southern Shores, a rate increase based on the Consumer Price Index was implemented on January 1, 2004. Other than rates for the Southern Shores system, there can be no assurance that any rate increases will be granted or, if granted, that they will be in the amounts we requested. Further, Tidewater received PSC approval to increase its Distribution System Improvement Charge to 4.89% of base rates from 2.49%, effective January 1, 2004.

### *Water Quality and Environmental Regulations*

Both the EPA and the DEP regulate our operations in New Jersey with respect to water supply, treatment and distribution systems and the quality of the water, as do the EPA, DNREC, DPH and DRBC with respect to operations in Delaware.

Federal, New Jersey and Delaware regulations adopted over the past five years relating to water quality require us to perform expanded types of testing to insure that our water meets state and federal water quality requirements. In addition, environmental regulatory agencies are reviewing current regulations governing the limits of certain organic compounds found in the water as byproducts of treatment. We participate in industry-related research to identify the various types of technology that might reduce the level of organic, inorganic and synthetic compounds found in the water. The cost to water companies of complying with the proposed water quality standards depends in part on the limits set in the regulations and on the method selected to implement such reduction. We believe the CJO Plant capabilities put us in a strong position to meet any such future standards with regard to our Middlesex System. We use regular testing of our water to determine compliance with existing federal, New Jersey and Delaware primary water quality standards, and believe that expansion will allow us to be in a stronger position to meet any such future regulations regarding our Middlesex System.

Well treatment in our Tidewater System is by chlorination and, in some cases, pH correction and filtration. Treatment in the Pinelands System (disinfection only) is done at individual well sites.

As more fully discussed in our most recent Annual Report on Form 10-K, we are subject to EPA regulations as to maximum contaminant levels under the Federal Safe Drinking Water Act. There are also similar state regulations by DEP in New Jersey

The DEP and the DPH monitor our activities and review the results of water quality tests that are performed for adherence to applicable regulations. Other regulations applicable to us include the Lead and Copper Rule, the maximum contaminant levels established for various volatile organic compounds, the Federal Surface Water Treatment Rule and the Total Coliform Rule.

## MANAGEMENT

This table lists information concerning our senior management team:

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Dennis G. Sullivan	62	President and Chief Executive Officer
A. Bruce O'Connor	46	Vice President, Controller and Chief Financial Officer
Ronald F. Williams	54	Vice President–Operations and Chief Operating Officer
Kenneth J. Quinn	56	General Counsel, Secretary and Treasurer
James P. Garrett	58	Assistant Vice President–Human Resources
Richard M. Risoldi	47	Assistant Vice President of Operations
Gerard L. Esposito	52	President, Tidewater Utilities, Inc.

*Dennis G. Sullivan* – Mr. Sullivan has been a Director of Middlesex since October 1999. Mr. Sullivan was hired in 1984 as Corporate Attorney, responsible for general corporate internal legal matters. He was elected Assistant Secretary-Assistant Treasurer in 1988 and Vice President and General Counsel in 1990. He was elected President and General Counsel in May 2001 and became President and Chief Executive Officer in January 2003. He is Chairman of the Board and a Director of Tidewater Utilities, Inc., White Marsh Environmental Systems, Inc., Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates, Inc., Utility Service Affiliates (Perth Amboy) Inc. and Bayview Water Company. He is also a Director of the New Jersey Utilities Association and the National Association of Water Companies.

*A. Bruce O'Connor* – Mr. O'Connor, a Certified Public Accountant, joined the Company in 1990 as Assistant Controller and was elected Controller in 1992 and Vice President in 1995. He was elected Vice President and Controller and Chief Financial Officer in May 1996. Mr. O'Connor is also the Assistant Secretary for all subsidiaries except for Utility Service Affiliates, Inc. He is responsible for financial reporting, customer service, rate cases, cash management and financings. He was formerly employed by Deloitte & Touche, a certified public accounting firm from 1984 to 1990. He is Treasurer and a Director of Tidewater Utilities, Inc., Bayview Water Company, Utility Service Affiliates, Inc., and White Marsh Environmental Systems, Inc. He is Vice President, Treasurer and a Director of Utility Service Affiliates (Perth Amboy) Inc., Pinelands Water Company and Pinelands Wastewater Company.

*Ronald F. Williams* – Mr. Williams was hired in March 1995 as Assistant Vice President–Operations, responsible for the Company's Engineering and Distribution Departments. He was elected Vice President–Operations in October 1995. Mr. Williams is also the Assistant Secretary and Assistant Treasurer for Middlesex. He was formerly employed with the Garden State Water Company as President and Chief Executive Officer since 1991. He is a Director and President of Utility Service Affiliates (Perth Amboy) Inc., and Director of Utility Service Affiliates, Inc., Pinelands Water Company and Pinelands Wastewater Company.

*Kenneth J. Quinn* – Mr. Quinn joined the Company in 2002 as General Counsel and was elected Assistant Secretary in 2003. He was appointed Secretary and Treasurer for Middlesex and Secretary for all subsidiaries of Middlesex in March 2004. He has been engaged in the practice of law for 29 years and prior to joining the Company he had been employed by the law firm of Schenck, Price, Smith and King in Morristown, New Jersey. Prior to that, Mr. Quinn spent 10 years as in-house counsel to two major banking institutions located in New Jersey. In May 2003, he was elected Assistant Secretary of Tidewater Utilities, Inc., Pinelands Water Company, Pinelands Wastewater Company, Utility Service Affiliates (Perth Amboy) Inc., Bayview Water Company and White Marsh Environmental Systems, Inc. He is a member of the New Jersey State Bar Association and is also a member of the Public Utility Law Section of the Bar.

*James P. Garrett* – Mr. Garrett joined the Company in May 2003 as Assistant Vice President–Human Resources. Prior to his hire, Mr. Garrett was employed by Toys "R" Us, Inc. from 1980-2003, most recently as Director of Organizational Development. Mr. Garrett is responsible for all human resource programs and

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activities at Middlesex Water Company; Pinelands Water Company; Pinelands Waste water Company; Bayview Water Company; Utility Services Affiliates, Inc; Tidewater Utilities, Inc. and White Marsh Environmental Systems, Inc.

*Richard M. Risoldi* – Mr. Risoldi joined the Company in 1989 as Director of Production, responsible for the operation and maintenance of the Company's treatment and pumping facilities. He was appointed Assistant Vice President of Operations in January 2003. He was formally employed by the Trenton Water Utility and the North Jersey District Water Supply Commission. He is a Director of Tidewater Utilities, Inc. and White Marsh Environmental Systems Inc. He also serves as Director and President of Pinelands Water Company, Pinelands Wastewater Company, Bayview Water Company and Utility Service Affiliates, Inc.

*Gerard L. Esposito* – Mr. Esposito joined Tidewater in 1998 as Executive Vice President. Prior to joining the Company he worked for 22 years in various executive positions for Delaware environmental protection and water quality governmental agencies. In 1989, Mr. Esposito became the Director of the Delaware Division of Water Resources, responsible for the administration of all of Delaware's water pollution, water supply, water quality, wetlands and environmental laboratory programs. He is a Director of Tidewater Utilities, Inc. and also serves as a Director and President of White Marsh Environmental Systems, Inc.



## DESCRIPTION OF CAPITAL STOCK

All share and per share amounts discussed herein reflect the four-for-three common stock split effective November 14, 2003. Our authorized capital stock consists of 20,000,000 shares of common stock, without par value, 140,497 shares of Cumulative Preferred Stock, without par value, and 100,000 shares of Cumulative Preference Stock, without par value. As of April 15, 2004, there were 10,592,863 shares of common stock outstanding, four series of Cumulative Preferred Stock representing a total of 37,898 shares outstanding and no shares of the Cumulative Preference Stock outstanding. The issuance of the common stock offered hereby is subject to approval by the BPU.

The transfer agent for the common stock is Registrar and Transfer Company. Our outstanding common stock is traded on the Nasdaq National Market System.

Certain New Jersey state laws and provisions in our Restated Certificate of Incorporation may deter or prevent a change in control of us and/or a change in management, even if desired by a majority of the shareholders.

The following is a brief summary of certain information relating to our common stock, Preferred Stock and Preference Stock. This summary does not purport to be complete and is intended to outline such information in general terms only.

### Dividend Rights

Our Restated Certificate of Incorporation provides that whenever full dividends have been paid on the Preferred Stock and the Preference Stock outstanding for all past quarterly periods, the Board of Directors may declare and pay dividends on the common stock out of legally available funds.

The dividend rate for our varying classes of Preferred Stock is as follows: \$7 per share per annum for the \$7 Series Cumulative Preferred Stock, \$4.75 per share per annum for the \$4.75 Series Cumulative Preferred Stock, \$7 per share per annum for the \$7 Cumulative and Convertible Preferred Stock, and \$8 per share per annum for the \$8 Series Cumulative and Convertible Preferred Stock.

### Voting Rights

Every holder of the common stock is entitled to one vote for each share held of record. Our Restated Certificate of Incorporation and By-laws provide for a Board of Directors divided into three classes of directors serving staggered three-year terms. A classified board has the effect of increasing the time required to effect a change in control of the Board of Directors. Our By-laws provide that nominations for directors must be (i) made in writing, (ii) received by the Secretary of the Company not less than 21 days prior to the date fixed for the meeting of shareholders and (iii) accompanied by the written consent of the nominee to serve as a director. In addition, the Restated Certificate of Incorporation provides that the By-laws may only be amended by shareholders if the holders of two-thirds or more of the issued and outstanding shares of common stock vote for the amendment. Our Restated Certificate of Incorporation also provides that shareholders may take action only at an annual or special meeting upon prior notice and pursuant to a vote.

No holder of Preferred Stock or Preference Stock (none of which Preference Stock has been issued) has any right to vote for the election of directors or, except as otherwise required by law, for any other purpose; provided, however, that if and whenever dividends on the outstanding Preferred Stock are in arrears in an amount equal to at least four quarterly dividends, the holders of the outstanding Preferred Stock of all series, voting as a class, are entitled, until all dividends in arrears are paid, to elect two members to the Board of Directors, which two members shall be in addition to the directors elected by the holders of the common stock. Whenever dividends on the outstanding Preference Stock are in arrears in an amount equal to at least four quarterly dividends, the holders

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of the outstanding Preference Stock of all series, voting as a class, are entitled, until all dividends in arrears are paid, to elect two members to the Board of Directors, which two members shall be in addition to the members elected by the holders of the common stock and by the holders of the Preferred Stock. In addition, unless certain tests set forth in our charter are met, the consent of the holders of a majority of the outstanding shares of Preferred Stock of all series, voting as a class, is required for issuance or sale of any additional series of Preferred Stock or any class of stock ranking prior to or on a parity with the Preferred Stock as to dividends or distributions. The consent of the holders of two-thirds in interest of the outstanding Preferred Stock of all series, voting as a class, is required to create or authorize any stock ranking prior to the Preference Stock as to dividends or in liquidation, or to create or authorize any obligation or security convertible into shares of any such stock, except that such consent is not required with respect to any increase in the number of shares of Preferred Stock which we are authorized to issue or with respect to the creation and establishment of any series of our Preferred Stock.

### **Convertibility**

The conversion feature of the no par \$7.00 Series Cumulative and Convertible Preferred Stock allows the holders of such shares of preferred stock to exchange one convertible preferred share for twelve shares of our common stock. In addition, we may redeem up to 10% of the outstanding convertible stock in any calendar year at a price equal to the fair market value of twelve shares of our common stock for each share of convertible stock redeemed.

The conversion feature of the no par \$8.00 Series Cumulative and Convertible Preferred Stock allows the holders of such shares to exchange one convertible preferred share for 13.714 shares of our common stock. The preferred shares are convertible at the election of the security holder until 2004. After that time, both we and the holders of the \$8.00 Series Cumulative and Convertible Preferred Stock and have the right to convert the shares of preferred stock into our common stock.

### **Liquidation Rights**

Holders of common stock are entitled to share on a pro-rata basis, subject to the rights of holders of our First Mortgage Bonds, Preferred Stock or Preference Stock, in our assets legally available for distribution to shareholders in the event of our liquidation, dissolution or winding up.

### **Restriction on Acquisitions**

As a New Jersey corporation with its headquarters and principal operations in the state, we are a “resident domestic corporation” as defined in New Jersey’s Shareholder Protection Act (the “Act”). The Act bars any “business combination” as defined in that Act (generally, a merger or other acquisition transaction) with any person or affiliate of a person who owns 10% or more of the outstanding voting stock of a resident domestic corporation for a period of five years after such person first owns 10% or more of such stock, unless the “business combination” both is approved by the board of directors of the resident domestic corporation prior to the time that person acquires 10% or more of the resident domestic corporation’s voting stock and meets certain other statutory criteria.

### DIVIDEND REINVESTMENT PLAN

We have a Dividend Reinvestment and Common Stock Purchase Plan (“DRIP”) under which participating shareholders may have cash dividends on all or a portion of their shares of common stock or Cumulative Preferred Stock automatically reinvested in newly issued shares of common stock and may invest at the same time up to an additional \$25,000 per quarter in newly issued shares of common stock. Under the DRIP, we may permit the purchase of shares of common stock at ninety-five (95) percent of market value for specified periods as announced us from time to time. We last authorized the purchase of shares of common stock at ninety-five percent (95%) of market value during the period of February 28, 2003 to September 2, 2003. As currently in effect, any purchase of shares under the DRIP is at full market value. No commission or service charge is paid by participants in connection with any of their purchases under the DRIP. The number of shares authorized under the DRIP is 1,700,000 shares. The cumulative number of shares issued under the DRIP as of April 15, 2004 are 1,252,357.

### UNDERWRITING

Subject to the terms and conditions of an underwriting agreement dated , 2004, the underwriters named below, for whom Janney Montgomery Scott LLC and Edward D. Jones & Co., L.P. are serving as the representatives (the “Representatives”), have severally agreed to purchase, and we have agreed to sell to the underwriters, the aggregate number of shares of common stock set forth opposite their respective names below at the public offering price less the underwriting discount on the cover page of this prospectus.

<u>Underwriters</u>	<u>Number of Shares</u>
Janney Montgomery Scott LLC Edward D. Jones & Co., L.P.	
<b>Total</b>	<b>700,000</b>

The underwriting agreement provides that obligations of the underwriters to purchase the shares and accept the delivery of the common stock that are being offered are subject to certain conditions precedent including the absence of any materially adverse change in our business, the receipt of certain certificates, opinions and letters from us, our attorneys and independent auditors. The offering is being made on a firm commitment basis and, thus, each underwriter is obligated to purchase all of the shares of the common stock being offered by this prospectus (other than shares of common stock covered by the over-allotment option described below) if it purchases any of the shares of common stock.

The underwriters propose to offer some of the shares of common stock to the public initially at the offering price per share shown on the cover page of this prospectus and may offer shares to certain dealers at such price less a concession not in excess of \$ per share. The underwriters may allow, and such dealers may reallow, a concession not in excess of \$ per share to certain other dealers. After the public offering of the common stock, the public offering price and the concessions may be changed by the underwriters.

The offering of common stock is made for delivery when, as and if accepted by the underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offer without notice. The underwriters reserve the right to reject any order for the purchase of common stock in whole or in part.

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The following table shows the per share and total underwriting discount to be paid to the underwriters by us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase the over-allotment shares:

	Per Share		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriter Discounts and Commissions to be paid by us	\$	\$	\$	\$

We estimate that our out-of-pocket expenses for this offering will be approximately \$ . We have also agreed to pay the underwriters a non-accountable expense allowance of \$50,000.

We have granted to the underwriters an option, exercisable for up to 30 days after the date of this prospectus, to purchase up to 100,000 additional shares of common stock, at the same price per share as the public offering price, less the underwriting discounts and commissions shown on the cover page of this prospectus. The underwriters may exercise such option only to cover over-allotments in the sale of the shares of common stock offered by this prospectus. To the extent the underwriters exercise this option, each of the underwriters has a firm commitment, subject to certain conditions, to purchase a number of the additional shares of common stock proportionate to such underwriter's initial commitment as indicated in the table above that lists the underwriters.

In connection with this offering and in compliance with applicable securities laws, the underwriters may over-allot (*i.e.*, sell more shares of common stock than is shown on the cover page of this prospectus) and may effect transactions that stabilize, maintain or otherwise affect the market price of the common stock at levels above those which might otherwise prevail in the open market. Such transactions may include placing bids for the common stock or effecting purchases of the common stock for the purpose of pegging, fixing or maintaining the price of the common stock or for the purpose of reducing a short position created in connection with the offering. The underwriters are not required to engage in any of these activities and any such activities, if commenced, may be discontinued at any time.

In connection with this offering, the underwriters may make short sales of our shares of common stock and may purchase those shares on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriter's over-allotment option to purchase additional shares in the offering. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares on the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase on the open market as compared to the price at which they may purchase shares through the over-allotment option. "Naked" short sales are sales in excess of the over-allotment option. The underwriters may close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward price pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Similar to other purchase transactions, the underwriters' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

The underwriters may also impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the shares of the common stock originally sold by that syndicate member are purchased in a stabilizing transaction or syndicate covering transaction to cover syndicate short positions. The imposition of a penalty bid may have an effect on the price of the common stock to the extent that it may discourage resales of the common stock.

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In connection with this offering, the underwriters, selling group members or their respective affiliates who are qualified market makers on the Nasdaq National Market may engage in passive market making transactions in our common stock on the Nasdaq National Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934, as amended, during the five business days prior to the pricing of the offering before the commencement of offers and sales of the common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as such. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security. If all independent bids are lowered below the passive market maker's bid, however, such bid must then be lowered when certain purchase limits are exceeded.

We and the underwriters make no representation or prediction as to the direction or magnitude of any effect that these transactions may have on the price of the common stock. In addition, we and the underwriters make no representation that the underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

Each underwriter does not intend to confirm sales of the common stock to any accounts over which it exercises discretionary authority.

Our directors, executive officers and certain of our other shareholders have agreed that they will not, without the Representatives' prior written consent for a period of 90 days after the effective date of the Registration Statement, sell, offer to sell, contract to sell, or otherwise dispose of, directly or indirectly, any shares of common stock of the Company or any securities convertible into, or exercisable or exchangeable for, common stock of the Company (other than shares issuable pursuant to a plan for employees in effect on the date of this prospectus).

We have agreed to indemnify the underwriters against certain liabilities that may be incurred in connection with this offering, including liabilities under the Securities Act of 1933, as amended, and to contribute to payments the underwriters may be required to make in respect thereof.

## LEGAL MATTERS

Certain legal matters in connection with the validity of the common stock offered hereby will be passed upon for us by Norris, McLaughlin & Marcus, P.A., Somerville, New Jersey. Walter G. Reinhard, Esq., a member of the firm of Norris, McLaughlin & Marcus, P.A., is one of our Directors and owns 1,496 of our shares. Certain legal matters will be passed upon for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania.

## EXPERTS

The financial statements incorporated in this prospectus by reference from our Annual Report on Form 10-K/A for the year ended December 31, 2003 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the restatement described in the Notes to the financial statements), which is incorporated herein by reference, and have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements, and other information with the Securities and Exchange Commission (the "Commission"). You may read and copy any of the reports and other information we file at the Commission's public reference facilities located in Washington at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission. You may call the Commission at 1-800-SEC-0330 for further information about the public reference rooms. Copies of such material can also be obtained from the Public Reference Section of the commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Our Commission filings are also available to the public over the Internet at the Commission's web site which is located at the following address: <http://www.sec.gov>.

This prospectus is a part of a registration statement on Form S-3 (which, together with all exhibits filed along with it, will be referred to as the "Registration Statement") which we filed with the Commission to register the securities we are offering. Certain information and details which may be important to specific investment decisions may be found in other parts of the Registration Statement, including its exhibits, but are left out of this prospectus in accordance with the rules and regulations of the Commission. To see more detail, you may wish to review the Registration Statement and its exhibits. Copies of the Registration Statement and its exhibits are on file at the offices of the Commission and may be obtained upon payment of the prescribed fee or may be examined without charge at the public reference facilities of the Commission described above.

## INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Commission's rules allow us to "incorporate by reference" the information we file with the Commission, which means we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. We incorporate by reference the documents listed below, which already have been filed with the Commission, and certain information we may file in the future will automatically update and take the place of information already filed. The following documents are incorporated by reference: (a) our Annual Report on Form 10-K/A filed on April 14, 2004 for the year ended December 31, 2003; (b) our Current Reports on Form 8-K filed on February 10, 2004, March 16, 2004 and April 15, 2004. The Commission file number for the incorporated documents is 0-422.

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In addition to the documents already filed, all reports and other documents which we file in the future with the Commission pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, before this stock offering ends, shall also be incorporated by reference in this prospectus.

You may request a copy of any of these filings. Such requests should be directed to: Mr. Kenneth J. Quinn, General Counsel, Secretary and Treasurer, Middlesex Water Company, 1500 Ronson Road, Iselin, New Jersey 08830, Phone No. (732) 634 -1500. You will not be charged for these copies unless you request exhibits, for which we will charge you a minimal fee. However, you will not be charged for exhibits in any case where the exhibit you request is specifically incorporated by reference into another document which is incorporated by this prospectus.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

We have not authorized any dealer, salesperson or other person to give any information or represent anything not contained in this prospectus. You must not rely on any unauthorized information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus does not offer to sell any shares in any jurisdiction where it is unlawful. The information in this prospectus is current as of the date shown on the cover page.

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**700,000 Shares**

**Common Stock**

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**PROSPECTUS**

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**JANNEY MONTGOMERY SCOTT LLC**

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

The date of this prospectus is \_\_\_\_\_, 2004.

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 14. Other Expenses of Issuance and Distribution**

The costs and expenses, other than underwriting discounts and commissions, payable by the Company in connection with this Offering (all amounts are estimated except the registration fee) are as follows:

<u>Item</u>	<u>To Be Paid By The Company</u>
Securities and Exchange Commission registration fee	\$ 1,215
National Association of Securities Dealers, Inc. fee	2,002
Nasdaq listing fee	8,000
Accounting fees and expenses	120,000
Legal fees and expenses	170,000
Printing	45,000
Blue Sky fees and expenses	2,000
Transfer agent fees and expenses	1,000
Miscellaneous	50,000
Total	<b>\$ 399,217</b>

**Item 15. Indemnification of Directors and Officers**

Section 14A:3-5 of the New Jersey Business Corporation Act (the “NJBCA”) gives the Company power to indemnify each of its directors and officers against expenses and liabilities in connection with any proceeding involving him by reason of his being or having been a director or officer if (a) he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company, and (b) with respect to any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful. However, in a proceeding by or in the right of the Company, there shall be no indemnification in respect of any liabilities or expenses if the officer or director shall have been adjudged liable to the Company unless the Court in such proceeding determines he is entitled to indemnity for such liabilities and/or expenses. No indemnification shall be made to or on behalf of a director or officer if a judgment or other final adjudication adverse to such director or officer establishes that his acts or omissions (a) were in breach of his duty of loyalty to the Company and its shareholders, (b) were not in good faith or involved a knowing violation of law or (c) resulted in receipt by the director or officer of an improper personal benefit. The NJBCA defines an act or omission in breach of a person’s duty of loyalty as an act or omission which that person knows or believes to be contrary to the best interests of the Corporation or its shareholders in connection with a matter in which he has a material conflict of interest. If a director or officer is successful in a proceeding, the statute mandates that the Company indemnify him against expenses.

Article V of the Company’s By-laws provides:

“Any present or future director or officer of the Company and any present or future director or officer of any other corporation serving as such at the request of the Company because of the Company’s interest in such other corporation, or the legal representative of any such director or officer, shall be indemnified by the Company against reasonable costs, expenses (exclusive of any amount paid to the Company in settlement), and counsel fees paid or incurred in connection with any action, suit, or proceeding to which any such director or officer or his legal representative may be made a party by reason of his being or having been such director or officer, provided, (1) said action, suit, or proceeding shall be prosecuted against such director or officer or against his legal representative to final determination, and it shall not be finally adjudged in said action, suit, or proceeding that he had been derelict in the performance of his duties as such

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director or officer, or (2) said action, suit or proceeding shall be settled or otherwise terminated as against such director or officer or his legal representative without a final determination on the merits, and it shall be determined by the Board of Directors (or, at the option of the Board of Directors, by a disinterested person or persons selected by the Board of Directors to determine the matter) that said director or officer had not in any substantial way been derelict in the performance of his duties as charged in such action, suit, or proceeding. The right of indemnification provided by this By-law shall be in addition to and not in restriction or limitation of any other privilege or power which the Company may have with respect to the indemnification or reimbursement of directors, officers, or employees.”

The Company has in effect a \$20 million policy of insurance indemnifying it against certain liabilities to directors and officers of the Company, and indemnifying directors and officers of the Company against certain of the liabilities which they may incur in acting in their capacities as such, all within specific limits. The insurance was purchased from the Federal Insurance Company, a subsidiary of the Chubb Group of Insurance Companies, for a term expiring May 31, 2004.

Pursuant to Section 14A:2-7 of the NJBCA, the Company’s shareholders adopted an amendment to the Company’s Certificate of Incorporation which provides that a director or officer shall not be personally liable to the Company or its shareholders for damages for breach of any duty owed to the Company or its shareholders, except that such provision shall not relieve a director or officer from liability for any breach of duty based upon an act or omission (a) in breach of such person’s duty of loyalty to the Company or its shareholders, (b) not in good faith or involving a knowing violation of law or (e) resulting in receipt by such person of an improper personal benefit.

### **Item 16. Exhibits**

Exhibits designated with an asterisk (\*) are filed herewith. Exhibits designated with two asterisks (\*\*) have been previously filed. The exhibits not so designated have heretofore been filed with the Commission and are incorporated herein by reference to the documents indicated.

<u>Exhibit No.</u>	<u>Document Description</u>
1.1*	Form of Underwriting Agreement.
4.1	Form of Common Stock Certificate, is incorporated by reference to Exhibit 2(a) filed with the Company’s Registration Statement No. 2-55058.
4.2	Articles 7A through 7F, 8, 9 and 10 of the Restated Certificate of Incorporation as amended are incorporated herein by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 1998.
4.3	Certificate of Correction of Middlesex Water Company filed with the State of New Jersey on April 30, 1999, is incorporated herein by reference to Exhibit 3.3 to the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2003.
4.4	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on February 17, 2000, is incorporated herein by reference to Exhibit 3.4 to the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2003.
4.5	Certificate of Amendment to the Restated Certificate of Incorporation Middlesex Water Company, filed with the State of New Jersey on June 5, 2002, is incorporated herein by reference to Exhibit 3.5 to the Company’s Annual Report on Form 10-K/A for the year ended December 31, 2003.
5**	Opinion of Counsel Re: Legality of Securities Registered.
23.1*	Independent Auditors’ Consent
23.2**	Consent of Counsel is included in its legal opinion filed as Exhibit 5.
24	Power of Attorney (is included as a part of the signature page of this registration statement).

**Item 17. Undertakings**

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended (the “1933 Act”), may be available to directors, officers and controlling persons of the Company pursuant to the New Jersey Business Corporation Act, the By-laws of the Company, the Underwriting Agreement, or otherwise, the Company has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the 1933 Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer, or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

The undersigned Company hereby undertakes that:

(1) For purposes of determining any liability under the 1933 Act, the information omitted from the form of prospectus filed as part of a registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the 1933 Act shall be deemed to be part of the registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant’s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan’s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the Registration Statement shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) For the purposes of determining any liability under the 1933 Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.



**700,000 SHARES**  
**MIDDLESEX WATER COMPANY**  
**COMMON STOCK**  

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**UNDERWRITING AGREEMENT**  

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Philadelphia, Pennsylvania  
\_\_\_\_, 2004

JANNEY MONTGOMERY SCOTT LLC  
EDWARD D. JONES & CO., L.P.  
As Representatives of the Several Underwriters Named in Schedule I hereto  
c/o Janney Montgomery Scott LLC  
1801 Market Street  
Philadelphia, PA 19103

Ladies and Gentlemen:

Middlesex Water Company, a New Jersey corporation ("Middlesex"), proposes, subject to the terms and conditions stated herein, to sell to the several Underwriters named in Schedule I hereto (the "Underwriters"), for whom Janney Montgomery Scott LLC and Edward D. Jones & Co., L.P. are serving as Representatives (the "Representatives"), an aggregate of 700,000 shares of Middlesex's Common Stock, with no par value ("Common Stock"). The 700,000 shares of Common Stock to be sold to the Underwriters by Middlesex are referred to herein as the "Firm Shares." The respective amounts of the Firm Shares to be purchased by the several Underwriters are set forth opposite their names in Schedule I hereto. The Firm Shares shall be offered to the public at a public offering price of \$\_\_\_\_\_ per Firm Share (the "Offering Price").

In order to cover over-allotments in the sale of the Firm Shares, the Underwriters may, at the Underwriters' election and subject to the terms and conditions stated herein, purchase ratably in proportion to the amounts set forth opposite their respective names in Schedule I hereto, for the Underwriters' own accounts up to 100,000 additional shares of Common Stock from Middlesex. Such 100,000 additional shares of Common Stock are referred to herein as the "Optional Shares." If any Optional Shares are purchased, the Optional Shares shall be purchased

for offering to the public at the Offering Price and in accordance with the terms and conditions set forth herein. The Firm Shares and the Optional Shares are referred to collectively herein as the “Shares.”

Middlesex and the Underwriters, intending to be legally bound, hereby confirm their agreement as follows:

**1. Representations and Warranties of Middlesex.** Middlesex represents and warrants to, and agrees with, the several Underwriters that:

(a) Middlesex has prepared, in conformity with the requirements of the Securities Act of 1933, as amended (the “Act”), and the rules and regulations (the “Regulations”) of the Securities and Exchange Commission (the “SEC”) under the Act in effect at all applicable times, and has filed with the SEC a registration statement on Form S-3 (File No. 333-110786) and one or more amendments thereto for the purpose of registering the Shares under the Act. Copies of such registration statement and any amendments thereto, and all forms of the related prospectus contained therein, have been delivered to the Representatives. Any preliminary prospectus included in such registration statement or filed with the SEC pursuant to Rule 424(a) of the Regulations is hereinafter called a “Preliminary Prospectus.” The various parts of such registration statement, including all exhibits thereto, information incorporated by reference therein and the information contained in the form of final prospectus filed with the SEC pursuant to Rule 424(b) of the Regulations in accordance with Section 5(a) of this Agreement and deemed by virtue of Rule 424 of the Regulations to be part of the registration statement at the time it was declared effective, each as amended at the time the registration statement became effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A of the Regulations, are hereinafter collectively called the “Registration Statement.” The final prospectus in the form included in the Registration Statement or first filed with the SEC pursuant to Rule 424(b) of the Regulations and any amendments or supplements thereto, including the information (if any) deemed to be part of that prospectus at the time of effectiveness pursuant to Rule 430A of the Regulations, is hereinafter called the “Prospectus.” All references to the Registration Statement, the Preliminary Prospectus and the Prospectus include all documents incorporated therein by reference. If Middlesex has filed an abbreviated registration statement to register additional Common Stock pursuant to Rule 462(b) under the Act (the “Rule 462 Registration Statement”), then any reference herein to the term “Registration Statement” shall be deemed to include such Rule 462 Registration Statement.

(b) The Registration Statement has become effective under the Act, and the SEC has not issued any stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Preliminary Prospectus, nor has the SEC instituted or threatened to institute proceedings with respect to such an order. No stop order suspending the sale of the Shares in any jurisdiction designated by the Representatives as provided for in Section 5(f) hereof has been issued, and no proceedings for that purpose have been instituted or threatened. Middlesex has complied in all material respects with all requests of the SEC, or requests of which Middlesex has been advised of any state or foreign securities commission in a state or foreign jurisdiction designated by the Representatives as provided for in Section 5(f) hereof, for additional information to be included in the Registration Statement, any Preliminary Prospectus or the Prospectus. Each Preliminary Prospectus conformed to all the requirements of

the Act and the Regulations as of its date in all material respects and did not as of its date contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Registration Statement, on the date on which it was declared effective by the SEC (the "Effective Date") and when any post-effective amendment thereof shall become effective, and the Prospectus, at the time it is filed with the SEC including, if applicable, pursuant to Rule 424(b), and on the Closing Date (as defined in Section 3 hereof) and any Option Closing Date (as defined in Section 4(b) hereof), conformed and will conform in all material respects to all the requirements of the Act and the Regulations, and did not and will not, on any of such dates, include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The two preceding sentences do not apply to statements in or omissions from the Registration Statement or the Prospectus based upon written information furnished to Middlesex by or on behalf of any Underwriter through the Representatives expressly for use therein.

(c) The documents incorporated by reference into the Prospectus pursuant to Item 12 of Form S-3 under the Act, at the time they were filed with the SEC, complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act") and the Exchange Act Regulations and did not contain any untrue statement of material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein not misleading.

(d) There are no legal or governmental proceedings pending or, to the knowledge of Middlesex, threatened to which Middlesex or any of its Subsidiaries is a party or to which any of the properties of Middlesex or any Subsidiary are subject that are required to be described in the Registration Statement or the Prospectus and are not so described or any statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(e) Middlesex is a corporation duly organized, validly existing and in good standing under the laws of the State of New Jersey, with all necessary power and authority, corporate and otherwise, and all required licenses, permits, certifications, registrations, approvals, consents and franchises to own or lease and operate its properties and to conduct its current business as described in the Prospectus, and to execute, deliver and perform this Agreement. Each of Tidewater Utilities, Inc., a Delaware corporation ("Tidewater"), Pinelands Water Company, a New Jersey corporation ("Pinelands Water"), Pinelands Wastewater Company, a New Jersey corporation ("Pinelands Wastewater"), Utility Services Affiliates, Inc, a New Jersey corporation ("USA"), Utility Services Affiliates (Perth Amboy), Inc., a New Jersey corporation ("USA-PA") and Bayview Water Company, a New Jersey corporation ("Bayview") is a wholly owned subsidiary of Middlesex and together with each of Southern Shores Water Company, LLC, a Delaware limited liability company and wholly owned subsidiary of Tidewater ("Southern Shores") and White Marsh Environmental Systems, Inc., a Delaware corporation ("White Marsh") and wholly owned subsidiary of Tidewater, collectively, shall herein be referred to as the "Subsidiaries." Each Subsidiary has been duly incorporated or formed and is an existing corporation or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its incorporation or formation, with all necessary

power and authority, corporate and otherwise, and all required licenses, permits, certifications, registrations, approvals, consents and franchises to own or lease and operate its properties and to conduct its current business. Middlesex and the Subsidiaries are duly qualified to do business as foreign entities, and are in good standing, in all jurisdictions in which such qualification is required, except where the failure to so qualify would not have a material adverse effect on the general affairs, properties, assets, operations, condition (financial or otherwise), results of operations, stockholders' equity, business or prospects of the business (collectively, the "Business Conditions") of Middlesex and the Subsidiaries taken as a whole. References to materiality as applicable to any of the Subsidiaries shall mean material to the Business Conditions of Middlesex and the Subsidiaries taken as a whole.

(f) All of the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are owned, directly or indirectly, by Middlesex, free and clear of all liens, encumbrances and security interests; and no options, warrants or other rights to purchase, agreements or other obligations to issue, or other rights to convert any obligations into shares of capital stock or ownership interests in each of the Subsidiaries or securities convertible into or exchangeable for capital stock of, or other ownership interests in any of the Subsidiaries are outstanding except as disclosed in the Prospectus. Except for 4,218 shares of Artesian Resources Corporation, neither Middlesex nor the Subsidiaries owns any stock or other interest whatsoever, whether equity or debt, in any corporation, partnership or other entity other than Middlesex's direct or indirect ownership of the Subsidiaries.

(g) This Agreement has been duly authorized, executed and delivered by Middlesex and constitutes its legal, valid and binding obligation, enforceable against Middlesex in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and subject to applicability of general principles of equity and except, as to this Agreement, as rights to indemnity and contribution may be limited by federal and state securities laws or principles of public policy.

(h) The execution, delivery and performance of this Agreement and the transactions contemplated herein, do not and will not, with or without the giving of notice or the lapse of time, or both, (i) conflict with any term or provision of Middlesex's or the Subsidiaries' charter documents, or Bylaws; (ii) result in a breach of, constitute a default under, result in the termination or modification of, result in the creation or imposition of any lien, security interest, charge or encumbrance upon any of the properties of Middlesex or the Subsidiaries or require any payment by Middlesex or any of the Subsidiaries or impose any liability on Middlesex or any of the Subsidiaries pursuant to, any contract, indenture, mortgage, deed of trust, commitment or other agreement or instrument to which Middlesex or any of the Subsidiaries is a party or by which any of their properties are bound or affected other than this Agreement; (iii) assuming compliance with Blue Sky laws and the rules of the National Association of Securities Dealers, Inc. (the "NASD") applicable to the offer and sale of the Shares, violate any law, rule, regulation, judgment, order or decree of any government or governmental agency, instrumentality or court, domestic or foreign, having jurisdiction over Middlesex or the Subsidiaries or any of their respective properties or businesses; or (iv) result in a breach,



termination or lapse of Middlesex's or the Subsidiaries' corporate power and authority to own or lease and operate their respective properties and conduct their respective businesses.

(i) At the date or dates indicated in the Prospectus, Middlesex had the duly authorized and outstanding capitalization set forth in the Prospectus under the caption "Capitalization" and will have, as of the issuance of the Firm Shares on the Closing Date, the as-adjusted capitalization set forth therein as of the date indicated in the Prospectus. On the Effective Date, the Closing Date and any Option Closing Date, there will be no options or warrants or other outstanding rights to purchase, agreements or obligations to issue or agreements or other rights to convert or exchange any obligation or security into, capital stock of Middlesex or securities convertible into or exchangeable for capital stock of Middlesex, except as described in the Prospectus or the grant of options after the date of the Prospectus under option plans of Middlesex. The information in the Prospectus insofar as it relates to all outstanding options and other rights to acquire securities of Middlesex as of the Effective Date and immediately prior to the Closing Date and any Option Closing Date is true and correct in all material respects.

(j) The currently outstanding shares of Middlesex capital stock have been duly authorized and are validly issued, fully paid and non-assessable, and none of such outstanding shares of Middlesex capital stock has been issued in violation of any preemptive rights of any security holder of Middlesex. The holders of the outstanding shares of Middlesex capital stock are not subject to personal liability solely by reason of being such holders. All previous offers and sales of the outstanding shares of Middlesex capital stock, whether described in the Registration Statement or otherwise, were made in conformity with applicable federal, state and foreign securities laws. The authorized capital stock of Middlesex, including, without limitation, the outstanding Common Stock, the Shares being issued, and the outstanding options to purchase shares of Common Stock conform in all material respects with the descriptions thereof in the Prospectus, and such descriptions conform in all material respects with the instruments defining the same.

(k) There are no contracts, agreements or understandings between Middlesex or any of its Subsidiaries and any person granting such person the right to require Middlesex to file a registration statement under the Act with respect to any securities of Middlesex owned or to be owned by such person or to require Middlesex to include such securities in the securities registered pursuant to the Registration Statement or in any securities being registered pursuant to any other registration statement filed by Middlesex under the Act.

(l) When the Shares have been duly delivered against payment therefor as contemplated by this Agreement, the Shares will be validly issued, fully paid and non-assessable, and the holders thereof will not be subject to personal liability solely by reason of being such holders. The certificates representing the Shares are in proper legal form under, and conform in all respects to the requirements of, the New Jersey Business Corporation Act, as amended (the "NJBCA"). Neither the filing of the Registration Statement nor the offering or sale of Shares as contemplated by this Agreement gives any security holder of Middlesex any rights for or relating to the registration of any Common Stock or any other capital stock of Middlesex or any rights to convert or have redeemed or otherwise receive anything of value with respect to any other security of Middlesex.

(m) No consent, approval, authorization, order, registration, license or permit of, or filing or registration with, any court, government, governmental agency, instrumentality or other regulatory body or official is required for the valid and legal execution, delivery and performance by Middlesex of this Agreement and the consummation of the transactions contemplated hereby or described in the Prospectus, except (i) approval by the New Jersey Board of Public Utilities, which has been obtained, and (ii) such as may be required for the registration of the Shares under the Act and for compliance with the applicable state securities or Blue Sky laws or the Bylaws, rules and other pronouncements of the NASD.

(n) The Common Stock (including the Shares) is registered pursuant to Section 12(g) of the Exchange Act. The issued and outstanding shares of Common Stock are included for quotation on the Nasdaq National Market. Neither Middlesex nor, to Middlesex's knowledge, any other person has taken any action designed to cause, or likely to result in, the termination of the registration of the Common Stock under the Exchange Act. Middlesex has not received any notification that the SEC or the NASD is contemplating terminating such registration or inclusion.

(o) The statements in the Registration Statement and Prospectus, insofar as they are descriptions of or references to contracts, agreements or other documents, are accurate in all material respects and present or summarize fairly, in all material respects, the information required to be disclosed under the Act or the Regulations, and there are no contracts, agreements or other documents, instruments or transactions of any character required to be described or referred to in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement that have not been so described, referred to or filed, as required.

(p) Each contract or other instrument (however characterized or described) to which Middlesex or any of the Subsidiaries is a party or by which any of their respective properties or businesses is bound or affected and which is material to the conduct of Middlesex's, or the Subsidiaries' business has been duly and validly executed by Middlesex or the Subsidiaries, as applicable, and, to the knowledge of Middlesex, by the other parties thereto. Each such contract or other instrument is in full force and effect and to Middlesex's knowledge, is enforceable against the parties thereto in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and subject to applicability of general principles of equity, and neither Middlesex nor any of the Subsidiaries is, and to the knowledge of Middlesex, no other party is, in default thereunder and no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a default under any such contract or other instrument. All necessary consents under such contracts or other instruments to the disclosure in the Prospectus with respect thereto have been obtained.

(q) The consolidated financial statements of Middlesex (including the notes thereto) included any Preliminary Prospectus, the Prospectus and the Registration Statement present fairly, in all material respects, the financial position of Middlesex as of the respective dates thereof, and the results of operations and cash flows of Middlesex for the periods indicated therein, all in conformity with generally accepted accounting principles. The supporting notes included in any Preliminary Prospectus, the Prospectus and the Registration Statement fairly state in all material respects the information required to be stated therein in relation to the

financial statements taken as a whole. The financial information included in the Prospectus under the captions “Prospectus Summary - Summary Consolidated Financial Information,” “Selected Consolidated Financial Information,” “Use of Proceeds” and “Capitalization” presents fairly the information shown therein and has been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. The unaudited pro forma adjustments to financial information included in the Registration Statement have been properly applied to the historical amounts in the compilation of that information to reflect the sale by Middlesex of 700,000 shares of Common Stock offered thereby at an assumed offering or actual price set forth in the Preliminary Prospectus or the Prospectus, as the case may be, and the application of the estimated net proceeds therefrom.

(r) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, there has not been (i) any material adverse change (including, whether or not insured against, any material loss or damage to any material assets), or development involving a prospective material adverse change, in the Business Conditions of Middlesex; (ii) any material adverse change, loss, reduction, termination or non-renewal of any material contract to which Middlesex or any of the Subsidiaries is a party; (iii) any transaction entered into by Middlesex or any of the Subsidiaries not in the ordinary course of its business that is material to Middlesex or any of the Subsidiaries; (iv) any dividend or distribution of any kind declared, paid or made by Middlesex on its capital stock, except for and to the extent described in the Prospectus; (v) any liabilities or obligations, direct or indirect, incurred by Middlesex or any of the Subsidiaries that are material to Middlesex or any of the Subsidiaries; (vi) except for purchases of Common Stock by the Middlesex Dividend Reinvestment Plan, any change in the capitalization of Middlesex or any of the Subsidiaries; or (vii) any change in the indebtedness of Middlesex or any of the Subsidiaries that is material to Middlesex or the Subsidiaries. Neither Middlesex nor the Subsidiaries has any contingent liabilities or obligations that are material and that are not expressly disclosed in the Prospectus.

(s) Middlesex has not distributed, and will not distribute, any offering material in connection with the offering and sale of the Shares other than the Registration Statement, a Preliminary Prospectus, the Prospectus and other material, if any, permitted by the Act and the Regulations. Neither Middlesex nor any of its officers, directors or affiliates has (i) taken, nor shall Middlesex or such persons take, directly or indirectly, any action designed to, or that might be reasonably expected to, cause or result in stabilization or manipulation of the price of the Common Stock, or (ii) since the filing of the Registration Statement (A) sold, bid for, purchased or paid anyone any compensation for soliciting purchases of, the Shares or (B) paid or agreed to pay to any person any compensation for soliciting another to purchase any other securities of Middlesex.

(t) Middlesex and the Subsidiaries have filed with the appropriate federal, state and local governmental agencies, and all foreign countries and political subdivisions thereof, all tax returns that are required to be filed or have duly obtained extensions of time for the filing thereof and have paid all taxes shown on such returns or otherwise due and all material assessments received by them to the extent that the same have become due. Neither Middlesex nor any of the Subsidiaries has executed or filed with any taxing authority, foreign or domestic, any agreement extending the period for assessment or collection of any income or other tax and neither of them is a party to any pending action or proceeding by any foreign or domestic

governmental agency for the assessment or collection of taxes, and no claims for assessment or collection of taxes have been asserted against Middlesex or any of the Subsidiaries that might materially adversely affect the Business Conditions of Middlesex or any of the Subsidiaries.

(u) Deloitte & Touche LLP, which has given its report on certain financial statements included as part of the Registration Statement, is a firm of independent certified public accountants as required by the Act and the Regulations with respect to Middlesex.

(v) Neither Middlesex nor any of the Subsidiaries is in violation of, or in default under, any of the terms or provisions of (i) its charter documents or Bylaws or similar governing instruments, (ii) any indenture, mortgage, deed of trust, contract, commitment or other agreement or instrument to which it is a party or by which it or any of its assets or properties is bound or affected, (iii) any law, rule, regulation, judgment, order or decree of any government or governmental agency, instrumentality or court, domestic or foreign, having jurisdiction over it or any of its properties or business, or (iv) any license, permit, certification, registration, approval, consent or franchise, except with respect to clause (ii), (iii) or (iv) above, where any such default would be reasonably expected to have a material adverse effect on the Business Conditions of Middlesex or any of the Subsidiaries.

(w) Except as expressly disclosed in the Prospectus, there are no claims, actions, suits, protests, proceedings, arbitrations, investigations or inquiries pending before, or, to Middlesex's knowledge, threatened or contemplated by, any governmental agency, instrumentality, court or tribunal, domestic or foreign, or before any private arbitration tribunal to which Middlesex or any of the Subsidiaries is or may be made a party that could reasonably be expected to affect the validity of any of the outstanding Common Stock, or that, if determined adversely to Middlesex or any of the Subsidiaries would, in any case or in the aggregate, result in any material adverse change in the Business Conditions of Middlesex or any of the Subsidiaries, nor to Middlesex's knowledge is there any reasonable basis for any such claim, action, suit, protest, proceeding, arbitration, investigation or inquiry. There are no outstanding orders, judgments or decrees of any court, governmental agency, instrumentality or other tribunal enjoining Middlesex or any of the Subsidiaries from, or requiring Middlesex or any of the Subsidiaries to take or refrain from taking, any action, or to which Middlesex or any of the Subsidiaries or their properties, assets or businesses are bound or subject.

(x) Each of Middlesex and the Subsidiaries owns, or possesses adequate rights to use, all patents, patent applications, trademarks, trademark registrations, applications for trademark registration, trade names, service marks, licenses, inventions, copyrights, know-how (including any unpatented and/or unpatentable proprietary or confidential technology, information, systems, design methodologies and devices or procedures developed or derived from or for Middlesex's or the Subsidiaries' business), trade secrets, confidential information, processes and formulations and other proprietary information necessary for, used in, or proposed to be used in, the conduct of the business of Middlesex and the Subsidiaries as described in the Prospectus (collectively, the "Intellectual Property"). To Middlesex's knowledge, neither Middlesex nor any of the Subsidiaries has infringed, is infringing nor have received any notice of conflict with, the asserted rights of others with respect to the Intellectual Property that, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could materially adversely affect the Business Conditions of Middlesex and the Subsidiaries, taken as

a whole. To the knowledge of Middlesex, no other parties have infringed upon or are in conflict with any Intellectual Property owned by Middlesex or its Subsidiaries. Neither Middlesex nor any of the Subsidiaries is a party to, or bound by, any agreement pursuant to which royalties, honorariums or fees are payable by Middlesex or any of the Subsidiaries to any person by reason of the ownership or use of any Intellectual Property, except for such royalties, honorariums or fees associated with commercially available software and computer applications.

(y) Each of Middlesex and the Subsidiaries has good and marketable title to all property described in the Prospectus as being owned by it, free and clear of all liens, security interests, charges or encumbrances and the like, except such as are expressly described or referred to in the Prospectus or such as do not materially adversely affect the Business Conditions or the conduct of the business of Middlesex and the Subsidiaries as described in the Prospectus. Each of Middlesex and the Subsidiaries has insured its property against loss or damage by fire or other casualty, in amounts reasonably believed by Middlesex to be adequate, and maintains insurance against such other risks as management of Middlesex deems appropriate. All real and personal property leased by Middlesex and the Subsidiaries as described or referred to in the Prospectus, is held by Middlesex and the Subsidiaries as applicable, under valid leases. The executive offices and facilities of Middlesex and the Subsidiaries (the "Premises"), and all operations presently or formerly conducted thereon by Middlesex or the Subsidiaries or any predecessors thereof, are now and, since Middlesex or the Subsidiaries began to use such Premises, always have been and, to the knowledge of Middlesex prior to when Middlesex or the Subsidiaries began to use such Premises, always had been, in compliance in with all federal, state and local statutes, ordinances, regulations, rules, standards and requirements of common law concerning or relating to industrial hygiene and the protection of health and the environment (collectively, the "Environmental laws"), except to the extent that any failure in such compliance would not materially adversely affect the Business Conditions of Middlesex or the Subsidiaries. To the knowledge of Middlesex, the facilities of Middlesex and the Subsidiaries produce water of sufficient quality and quantity to supply the current and planned customers and service areas served by Middlesex and the Subsidiaries, and are not subject to any restriction on groundwater withdrawal under any federal, state or local law, regulation, rule, order or permit, except as expressly described in the Prospectus or as provided in State of Delaware allocation permits and such as do not materially adversely affect the Business Conditions or the conduct of the business of Middlesex and the Subsidiaries as described in the Prospectus. To the knowledge of Middlesex, there are no conditions on, about, beneath or arising from the Premises, in close proximity to the Premises or at any other location that (i) might give rise to liability, the imposition of a statutory lien upon Middlesex or the Subsidiaries, (ii) require a "Response," "Removal" or "Remedial Action," as defined herein, under any of the Environmental laws by Middlesex or any of the Subsidiaries, or (iii) affect the quality of the groundwater withdrawn by Middlesex or the Subsidiaries, and that in any such case described in (i), (ii) or (iii) would materially adversely affect the Business Conditions of Middlesex, except as described in the Prospectus. Except as expressly disclosed in the Prospectus, or which will not materially adversely affect the Business Conditions of Middlesex (i) neither Middlesex nor the Subsidiaries has received notice or has knowledge of any claim, demand, investigation, regulatory action, suit or other action instituted or threatened against Middlesex or the Subsidiaries or any portion of the Premises or any parcel in close proximity to the Premises relating to any of the Environmental laws and (ii) neither Middlesex nor the Subsidiaries has received any notice of material violation, citation, complaint, order, directive,

request for information or response thereto, notice letter, demand letter or compliance schedule to or from any governmental or regulatory agency arising out of or in connection with “hazardous substances” (as defined by applicable Environmental laws) on, about, beneath, arising from or generated at the Premises, near the Premises or at any other location. As used in this subsection, the terms “Response,” “Removal” and “Remedial Action” shall have the respective meanings assigned to such terms under Sections 101(23)-101(25) of the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, 42 U.S.C. 9601(23)-9601(25).

(z) Each of Middlesex and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management’s general or specific authorization; (ii) transactions are recorded as necessary in order to permit preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management’s general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(aa) Middlesex, the Subsidiaries and any Related Employer (which for purposes of this Paragraph means any entity that with Middlesex or the Subsidiaries is a member of a controlled group of corporations within the meaning of Section 414(b) of the Internal Revenue Code of 1986 as amended (the “Code”), is, individually or collectively, a trade or business under common control within the meaning of Section 414(c) of the Code, or is a member of the same affiliated service group within the meaning of Section 414(m) of the Code) have established, maintain, contribute to, are required to contribute to, are a party to, or are bound by certain pension, retirement, profit-sharing plans, deferred compensation, bonus, or other incentive plans, or medical, vision, dental, or other health plans, or life insurance or disability plans, or any other employee benefit plans, programs, arrangements, agreements, or understandings, some of which are subject to the Employee Retirement Income Security Act of 1974 as amended (“ERISA”) and the rules and regulations thereunder (“Plans”). Any disclosure regarding the Plans required under the Act or the Exchange Act has been made in the Prospectus and the documents incorporated therein. All Plans that are subject to ERISA are in compliance with ERISA, in all material respects, and, to the extent a Plan is intended to be tax-qualified within the meaning of Section 401(a) of the Code, such Plan is in compliance with the Code in all material respects and is the subject of a current favorable determination letter from the Internal Revenue Service as to its tax qualification. No Plan is an employee pension benefit plan that is subject to Part 3 of Subtitle B of Title I of ERISA, a defined benefit plan subject to Title IV of ERISA, or a multiemployer plan. None of Middlesex, the Subsidiaries or any Related Employer maintains or has maintained retiree life or retiree health insurance plans that are employee welfare benefit plans providing for continuing benefit or coverage for any employee or any beneficiary of any employee after such employee’s termination of employment, except as required by Section 4980B of the Code and except as disclosed in the Prospectus. No fiduciary or other party in interest with respect to any of the Plans has caused any of such Plans to engage in a prohibited transaction as defined in Section 406 of ERISA and Section 4975 of the Code. As used in this subsection, the terms “defined benefit plan,” “employee benefit plan,” “employee pension benefit plan,” “employee welfare benefit plan,” “fiduciary” and “multiemployer plan” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

(bb) No labor dispute exists with Middlesex's or the Subsidiaries' employees, and to Middlesex's knowledge, no such labor dispute is threatened. Middlesex has no knowledge of any existing or threatened labor disturbance by the employees of any of the principal suppliers, contractors or customers of Middlesex or any of the Subsidiaries that would materially adversely affect the Business Conditions of Middlesex or any of the Subsidiaries. None of Middlesex's or the Subsidiaries' employees is covered by a collective bargaining agreement and no union organizing activity exists with respect to any of such employees.

(cc) Neither Middlesex nor the Subsidiaries has incurred any liability for any finder's fees or similar payments in connection with the transactions contemplated herein other than as disclosed in the Prospectus.

(dd) Middlesex is familiar with the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules and regulations thereunder, and has in the past conducted, and Middlesex intends to conduct, its affairs in such a manner as to ensure that it will not be an "investment company" or an entity "controlled" by an investment company within the meaning of the 1940 Act and the rules and regulations thereunder.

(ee) Middlesex and its Subsidiaries have received all permits, licenses, franchises, authorizations, registrations, qualifications and approvals (collectively, "Permits") of governmental or regulatory authorities as may be required of them to own their properties and conduct their businesses in the manner described in the Prospectus, subject to such qualifications as may be set forth in the Prospectus; and Middlesex and its Subsidiaries have fulfilled and performed all of their material obligations with respect to such Permits, and no event has occurred which allows or, after notice or lapse of time or both, would allow revocation or termination thereof or result in any other material impairment of the rights of the holder of any such Permit, subject in each case to such qualifications as may be set forth in the Prospectus; and, except as described in the Prospectus, such Permits contain no restrictions that materially affect the ability of Middlesex and its Subsidiaries to conduct their businesses.

(ff) No statement, representation, warranty or covenant made by Middlesex or any of the Subsidiaries in this Agreement or in any certificate or document required by this Agreement to be delivered to the Representatives is, or as of the Closing Date or any Option Closing Date will be, inaccurate, untrue or incorrect in any material respect. No transaction has occurred or is proposed between or among Middlesex or any of the Subsidiaries and any of their respective officers, directors or stockholders or any affiliate of the foregoing, or any affiliate of the foregoing that is required to be described in and is not described in the Registration Statement and the Prospectus.

(gg) None of Middlesex, the Subsidiaries or any officer, director, employee, partner, agent or other person acting on behalf of Middlesex or the Subsidiaries has, directly or indirectly, given or agreed to give any money, property or similar benefit or consideration to any customer or supplier (including any employee or agent of any customer or supplier) or official or employee of any agency or instrumentality of any government (foreign or domestic) or political party or candidate for office (foreign or domestic) or any other person who was, is or in the future may be in a position to affect the Business Conditions of Middlesex or any of the Subsidiaries or any actual or proposed business transaction of Middlesex or any of the

Subsidiaries that (i) could subject Middlesex or any of the Subsidiaries to any liability (including, but not limited to, the payment of monetary damages) or penalty in any civil, criminal or governmental action or proceeding that would have a material adverse effect on the Business Conditions of Middlesex or any of the Subsidiaries or (ii) with respect to Middlesex, the Subsidiaries, or any officer or director thereof, violates any law, rule or regulation to which Middlesex or any of the Subsidiaries is subject.

Any certificate signed by any officer of Middlesex or any of the Subsidiaries in such capacity and delivered to the Representatives or to counsel for the Underwriters pursuant to this Agreement shall be deemed a representation and warranty by Middlesex or the Subsidiaries as the case may be, to the several Underwriters as to the matters covered thereby.

**2. Purchase and Sale of Firm Shares.** On the basis of the representations, warranties, covenants and agreements contained herein, but subject to the terms and conditions set forth herein, Middlesex shall sell the Firm Shares to the several Underwriters at the Offering Price less the Underwriting Discounts and Commissions shown on the cover page of the Prospectus, and the Underwriters, severally and not jointly, shall purchase from Middlesex on a firm commitment basis, at the Offering Price less the Underwriting Discounts and Commissions shown on the cover page of the Prospectus, the respective amounts of the Firm Shares set forth opposite their names on Schedule I hereto. In making this Agreement, each Underwriter is contracting severally and not jointly, and except as provided in Sections 4 and 11 hereof, the agreement of each Underwriter is to purchase only that number of Shares specified with respect to that Underwriter in Schedule I hereto. The Underwriters shall offer the Shares to the public as set forth in the Prospectus.

**3. Payment and Delivery.** The Firm Shares shall be issued in the form of one or more fully registered global securities (the "Global Securities") in book-entry form in such denominations and registered in the name of the nominee of The Depository Trust Company ("DTC") or in such names as the Representatives may request upon at least 48 hours' prior notice to Middlesex, and shall be delivered by or on behalf of Middlesex to the Representatives for the account of such Underwriter, against payment by such Underwriter on its behalf of the purchase price therefor by wire transfer of immediately available funds to such accounts as Middlesex shall designate in writing (with all costs and expenses incurred by the Underwriters in connection with such settlement in immediately available funds, including, but not limited to, interest or cost of funds and expenses, to be borne by Middlesex). The closing of the sale and purchase of the Firm Shares shall be held at the offices of Ballard Spahr Andrews & Ingersoll, LLP, 1735 Market Street, Philadelphia, Pennsylvania for the respective accounts of the Underwriters. Such payment and delivery will be made at 10:00 a.m., Philadelphia, Pennsylvania time, on the third business day after the date of this Agreement, or at such other time on the same or such other date, not later than seven business days thereafter as shall be designated in writing by the Representatives. Such time and date are referred to herein as the "Closing Date." Middlesex shall make the Global Securities representing the Firm Shares available for examination by the Representatives and counsel for the Underwriters at the Philadelphia correspondent office of Middlesex's transfer agent not less than one full business day prior to the Closing Date.



#### **4. Option to Purchase Optional Shares.**

(a) For the purposes of covering any over-allotments in connection with the distribution and sale of the Firm Shares as contemplated by the Prospectus, subject to the terms and conditions herein set forth, the several Underwriters are hereby granted an option by Middlesex to purchase all or any part of the Optional Shares (the "Over-allotment Option"). The purchase price to be paid for the Optional Shares shall be the Offering Price less the Underwriting Discounts and Commissions shown on the cover page of the Prospectus. The Over-allotment Option granted hereby may be exercised by the Representatives on behalf of the several Underwriters as to all or any part of the Optional Shares at any time and from time to time within 30 days after the date of the Prospectus. No Underwriter shall be under any obligation to purchase any Optional Shares prior to an exercise of the Over-allotment Option.

(b) The Over-allotment Option granted hereby may be exercised by the Representatives on behalf of the several Underwriters by giving notice to Middlesex by a letter sent by registered or certified mail, postage prepaid, telex, telegraph, telegram or facsimile (such notice to be effective when received), addressed as provided in Section 12 hereof, setting forth the number of Optional Shares to be purchased, the date and time for delivery of and payment for the Optional Shares and stating that the Optional Shares referred to therein are to be used for the purpose of covering over-allotments in connection with the distribution and sale of the Firm Shares. If such notice is given at least two full business days prior to the Closing Date, the date set forth therein for such delivery and payment shall be not earlier than the Closing Date. If such notice is given after two full business days prior to the Closing Date, the date set forth therein for such delivery and payment shall be a date selected by the Representatives not later than five full business days after the exercise of the Over-allotment Option. The date and time set forth in such a notice is referred to herein as an "Option Closing Date," and a closing held pursuant to such a notice is referred to herein as an "Option Closing." Upon each exercise of the Over-allotment Option, and on the basis of the representations, warranties, covenants and agreements herein contained, and subject to the terms and conditions herein set forth, the several Underwriters shall become severally, but not jointly, obligated to purchase from Middlesex the number of Optional Shares specified in each notice of exercise of the Over-allotment option (allocated among them in accordance with Section 4(c) hereof).

(c) The number of Optional Shares to be purchased by each Underwriter pursuant to each exercise of the Over-allotment Option shall be the number that bears the same ratio to the aggregate number of Optional Shares being purchased through such Over-allotment Option exercise as the number of Firm Shares opposite the name of such Underwriter in Schedule I hereto bears to the total number of all Firm Shares. Notwithstanding the foregoing, the number of Optional Shares purchased and sold pursuant to each exercise of the Over-allotment Option shall be subject to such adjustment as the Representatives may approve to eliminate fractional shares and subject to the provisions for the allocation of Optional Shares purchased for the purpose of covering over-allotments set forth in the agreement entered into by and among the Underwriters in connection herewith (the "Agreement Among Underwriters").

(d) The Optional Shares shall be issued in the form of one or more Global Securities in book-entry form in such denominations and registered in the name of the nominee of DTC or in such names as the Representatives may request upon at least 48 hours' prior notice

to Middlesex, and shall be delivered by or on behalf of Middlesex to the Representatives for the account of such Underwriter, against payment by such Underwriter on its behalf of the purchase price therefor by wire transfer of immediately available funds to such accounts as Middlesex shall designate in writing (with all costs and expenses incurred by the Underwriters in connection with such settlement in immediately available funds, including, but not limited to, interest or cost of funds and expenses, to be borne by Middlesex). The closing of the sale and purchase of the Optional Shares shall be held at the offices of Ballard Spahr Andrews & Ingersoll, LLP, 1735 Market Street, Philadelphia, Pennsylvania for the respective accounts of the Underwriters. Such payment and delivery will be made at 10:00 a.m., Philadelphia, Pennsylvania time, on the third business day after the date of each exercise of the Over-allotment Option, or at such other times on the same or such other dates, not later than seven business days thereafter as shall be designated in writing by the Representatives. Such times and dates are referred to herein as the "Option Closing Dates." Middlesex shall make the Global Securities representing the Optional Shares available for examination by the Representatives and counsel for the Underwriters at the Philadelphia correspondent office of Middlesex's transfer agent not less than one full business day prior to each Option Closing Date.

**5. Certain Covenants and Agreements of Middlesex.** Middlesex covenants and agrees with the several Underwriters as follows:

(a) If Rule 430A of the Regulations is employed, Middlesex will timely file the Prospectus pursuant to and in compliance with Rule 424(b) of the Regulations and will advise the Representatives of the time and manner of such filing.

(b) Middlesex will not file with the SEC, the Prospectus, any amendment or supplement to the Prospectus or any amendment to the Registration Statement, unless the Representatives have received a reasonable period of time to review any such proposed amendment or supplement and consented to the filings thereof and will use its best efforts to cause any such amendment to the Registration Statement to be declared effective as promptly as possible. Upon reasonable request of the Representatives or counsel for the Underwriters, Middlesex will promptly prepare and file with the SEC, in accordance with the Regulations of the SEC, any amendments to the Registration Statement or amendments or supplements to the Prospectus that may be necessary or advisable in connection with the distribution of the Shares by the several Underwriters and will use its best efforts to cause any such amendment to the Registration Statement to be declared effective as promptly as possible. If required, Middlesex will file any amendment or supplement to the Prospectus with the SEC in the manner and within the time period required by Rule 424(b) under the Act. Middlesex will advise the Representatives, promptly after receiving notice thereof, of the time when the Registration Statement or any amendment thereof has been filed or declared effective or the Prospectus or any amendment or supplement thereto has been filed and will provide evidence to the Representatives of each filing or effectiveness.

(c) Middlesex will advise the Representatives immediately, and confirm such advice in writing, (i) when any post-effective amendment to the Registration Statement is filed with the SEC under Rule 462(c) under the Act or otherwise, (ii) any Rule 462(b) Registration Statement is filed, (iii) of the receipt of any comments from the SEC concerning the Registration Statement, (iv) when any post-effective amendment to the Registration Statement becomes

effective, or when any supplement to the Prospectus or any amended Prospectus has been filed, (v) of any request of the SEC for amendment or supplementation of the Registration Statement or Prospectus or for additional information, (vi) during the period when the Prospectus is required to be delivered under the Act and Regulations, of the happening of any event as a result of which the Registration Statement or the Prospectus would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading, (vii) during the period noted in clause (vi) above, of the need to amend the Registration Statement or supplement the Prospectus to comply with the Act, (viii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, and (ix) of the suspension of the qualification of any of the Shares for offering or sale in any jurisdiction in which the Underwriters intend to make such offers or sales, or the initiation or threatening of any proceedings for any of such purposes known to Middlesex. Middlesex will use its best efforts to prevent the issuance of any such stop order or of any order preventing or suspending such use, and if any such order is issued, to obtain as soon as possible the lifting thereof.

(d) Middlesex has delivered to the Representatives, without charge, as many copies of each Preliminary Prospectus as the Representatives have reasonably requested. Middlesex will deliver to the Representatives, without charge, from time to time during the period when delivery of the Prospectus is required under the Act, such number of copies of the Prospectus (as supplemented or amended) as the Representatives may reasonably request. Middlesex hereby consents to the use of such copies of the Preliminary Prospectus and the Prospectus for purposes permitted by the Act, the Regulations and the securities or Blue Sky laws of the states or foreign jurisdictions in which the Shares are offered by the several Underwriters and by all dealers to whom Shares may be sold, both in connection with the offering and sale of the Shares and for such period of time thereafter as the Prospectus is required by the Act to be delivered in connection with sales by any Underwriter or dealer. Middlesex has furnished or will furnish to the Representatives at least one original signed copy of the Registration Statement as originally filed and of all amendments and supplements thereto, whether filed before or after the Effective Date, at least one copy of all exhibits filed therewith and of all consents and certificates of experts, and will deliver to the Representatives such number of conformed copies of the Registration Statement, including financial statements and exhibits, and all amendments thereto, as the Representatives may reasonably request.

(e) Middlesex will comply with the Act, the Regulations, the Exchange Act and the Exchange Act Regulations so as to permit the continuance of sales of and dealings in the Shares for as long as may be necessary to complete the distribution of the Shares as contemplated hereby.

(f) Middlesex will furnish such information and pay such filing fees and other expenses as may be required, and otherwise cooperate in the registration or qualification of the Shares, or exemption therefrom, for offering and sale by the several Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions in which the Representatives determine to offer the Shares, after consultation with Middlesex, and will file such consents to service of process or other documents necessary or appropriate in order to effect such registration or qualification; provided, however, that no such qualification shall be required in any

jurisdiction where, solely as a result thereof, Middlesex would be subject to taxation or qualification as a foreign corporation doing business in such jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Shares, in any jurisdiction where it is not now so subject. Middlesex will, from time to time, prepare and file such statements and reports as are or may be required to continue such qualification in effect for so long a period as is required under the laws of such jurisdictions for such offering and sale. Middlesex will furnish such information and pay such filing fees and other expenses as may be required, and otherwise cooperate in the inclusion of the Shares for quotation on the Nasdaq National Market. Middlesex will, from time to time, prepare and file such statements and reports as are or may be required to continue such qualification in effect for a period of three years from the Effective Date.

(g) Subject to Section 5(b) hereof, in case of any event (occurring at any time within the period during which, in the opinion of counsel for the Underwriters, a prospectus is required to be delivered under the Act or the Regulations), as a result of which any Preliminary Prospectus or the Prospectus, as then amended or supplemented, would contain, in the opinion of counsel for the Underwriters, an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements therein not misleading, or, if it is necessary at any time to amend any Preliminary Prospectus or the Prospectus to comply with the Act or the Regulations or any applicable securities or Blue Sky laws, Middlesex promptly will prepare and file with the SEC, and any applicable state and foreign securities commission, an amendment, supplement or document that will correct such statement or omission or effect such compliance and will furnish to the several Underwriters such number of copies of such amendments, supplements or documents (in form and substance satisfactory to the Representatives and counsel for the Underwriters) as the Representatives may reasonably request. For purposes of this Section 5(g), Middlesex will provide such information to the Representatives, the Underwriters' counsel and counsel to Middlesex as shall be necessary to enable such persons to consult with Middlesex with respect to the need to amend or supplement the Registration Statement, Preliminary Prospectus or Prospectus or file any document, and shall furnish to the Representatives and the Underwriters' counsel such further information as each may from time to time reasonably request.

(h) Middlesex will make generally available to its security holders not later than 45 days after the end of the period covered thereby, an earnings statement of Middlesex (which need not be audited unless required by the Act or the Regulations) that shall comply with Section 11(a) of the Act and Rule 158 thereunder and cover a period of at least 12 consecutive months beginning not later than the first day of Middlesex's fiscal quarter next following the Effective Date (or, if later, the effective date of the Rule 462(b) Registration Statement).

(i) For a period of three years from the Effective Date, Middlesex will deliver to the Representatives and, upon request, to each of the Underwriters: (i) a copy of each report or document, including, without limitation, reports on Forms 8-K, 10-K and 10-Q (or such similar forms as may be designated by the SEC), registration statements and any exhibits thereto, filed or furnished to the SEC or any securities exchange or the NASD, on the date each such report or document is so filed or furnished; (ii) as soon as practicable, copies of any reports or communications (financial or other) of Middlesex mailed to its security holders; and (iii) every

material press release in respect of Middlesex or its affairs that is released or prepared by Middlesex.

(j) During the course of the distribution of the Shares, Middlesex and its Subsidiaries will not and Middlesex shall cause its officers and directors not to, (i) take, directly or indirectly, any action designed to, or that could reasonably be expected to, cause or result in stabilization or manipulation of the price of the Common Stock or (ii) sell, bid for, purchase or pay anyone any compensation for soliciting purchases of, the Shares.

(k) Middlesex has caused each person listed on Schedule II hereto to execute an agreement (a "Lock-up Agreement") in form and substance satisfactory to the Representatives and the Underwriters' counsel which provides that from the date of the Lock-up Agreement and for a period of 90 days from the Effective Date, such persons will not, without the prior written consent of the Representatives, directly or indirectly, sell, offer or contract to sell, pledge, grant any option for sale or purchase of, agree to sell or otherwise dispose of (collectively, "Disposition") any shares of Common Stock (or any securities convertible into or exercisable or exchangeable for any shares of Common Stock) or enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of Common Stock, or publicly disclose the intention to make any such Disposition or enter into any such transaction, swap, hedge or other arrangement. Middlesex has delivered such agreements to the Representatives prior to the date of this Agreement. Appropriate stop transfer instructions will be issued by Middlesex to the transfer agent for the Common Stock and a copy of such instructions will be delivered to the Representatives.

(l) As of the date of the Lock-up Agreement and for a period of 90 days after the Effective Date, Middlesex will not, without the prior written consent of the Representatives, issue or make a Disposition of any Common Stock or any securities convertible into or exercisable or exchangeable for any Common Stock or enter into a transaction which would have the same effect or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of Common Stock, or publicly disclose the intention to issue or make any such Disposition or enter into any such transaction, swap, hedge or other arrangement, except (i) the issuance of Common Stock upon the exercise of currently outstanding options and warrants as described in the Prospectus, (ii) the grant of options to purchase Common Stock under Middlesex's currently outstanding stock option plans and the issuance of Common Stock upon the exercise thereof, (iii) the issuance of Common Stock under Middlesex's Dividend Reinvestment Plan and 401(k) Plan and (iv) the issuance of Common Stock under Middlesex's Restricted Stock Plan.

(m) For a period of three years from the Effective Date, Middlesex will use all reasonable efforts to maintain the listing of the Common Stock (including, without limitation, the Shares) on the Nasdaq National Market or on a national securities exchange.

(n) Middlesex shall, at its sole cost and expense, supply and deliver to the Representatives and the Underwriters' counsel, within a reasonable period from the Closing Date, transaction binders in such number and in such form and content as the Representatives reasonably request.

(o) Middlesex will use the net proceeds from the sale of the Shares to be sold by it hereunder substantially in accordance with the description set forth in the Prospectus.

#### **6. Payment of Fees and Expenses.**

(a) Whether or not the transactions contemplated by this Agreement are consummated and regardless of the reason this Agreement is terminated, Middlesex will pay or cause to be paid, and bear or cause to be borne, all costs and expenses incident to the performance of the obligations of Middlesex under this Agreement, including: (i) the fees and expenses of the accountants and counsel for Middlesex incurred in the preparation of the Registration Statement and any post-effective amendments thereto (including financial statements and exhibits), Preliminary Prospectuses and the Prospectus and any amendments or supplements thereto; (ii) printing and mailing expenses associated with the Registration Statement and any post-effective amendments thereto, any Preliminary Prospectus, the Prospectus, this Agreement, the Agreement Among Underwriters, the Underwriters' Questionnaire, the power of attorney executed by each of the Underwriters, the Selected Dealer Agreement and related documents and the Preliminary Blue Sky Memorandum (and any supplement thereto); (iii) the costs and expenses (other than fees and expenses of the Underwriters' counsel, except such fees incurred in connection with Blue Sky and NASD filings or exemptions as provided herein) incident to the authentication, issuance, sale and delivery of the Shares to the Underwriters; (iv) the fees, expenses and all other costs of qualifying the Shares for sale under the securities or Blue Sky laws of those states or foreign jurisdictions in which the Shares are to be offered or sold, including the reasonable fees and expenses of Underwriters' counsel and such local counsel as may have been reasonably required and retained for such purpose, which shall not exceed \$15,000; (v) the fees, expenses and other costs of, or incident to, securing any review or approvals by or from the NASD, including the reasonable fees and expenses of the Underwriters' counsel, subject to the limitation on fees set forth in clause (iv) above; (vi) the filing fees of the SEC; (vii) the cost of furnishing to the Underwriters copies of the Registration Statement, Preliminary Prospectuses and Prospectuses as herein provided; (viii) Middlesex's travel expenses in connection with meetings with the brokerage community and institutional investors; (ix) the costs and expenses associated with settlement in same day funds (including, but not limited to, interest or cost of funds expenses), if desired by Middlesex; (x) any fees or costs payable to the Nasdaq National Market as a result of the offering; (xi) the cost of preparing, issuing and delivery to the Underwriters of any certificates evidencing the Shares; (xii) the costs and charges of any transfer agent; (xiii) the reasonable costs of advertising the offering provided the same are approved in advance by Middlesex; (xiv) all taxes, if any, on the issuance, delivery and transfer of the Shares sold by Middlesex; and (xv) all other costs and expenses reasonably incident to the performance of Middlesex's obligations hereunder that are not otherwise specifically provided for in this Section 6(a); provided, however, that, except as specifically set forth in Section 6(c) hereof, the Underwriters shall be responsible for their out-of-pocket expenses, including those associated with meetings with the brokerage community and institutional investors, other than Middlesex's travel expenses, and the fees and expenses of their counsel for other than with respect to Blue Sky and NASD matters.

(b) On the Closing Date, Middlesex shall pay the Representatives a non-accountable expense allowance in the amount of \$50,000.

(c) If (i) the Underwriters are willing to proceed with the offering, and the transactions contemplated by this Agreement are not consummated because Middlesex elects not to proceed with the offering for any reason or (ii) the Representatives terminate this Agreement

pursuant to Section 10(b)(i) hereof, then Middlesex will reimburse the Underwriters for their incurred reasonable out-of-pocket expenses relating to the Offering (including, but not limited to the reasonable fees and disbursements to its counsel), which reimbursement shall not exceed \$150,000. The Representatives shall present a reasonable accounting of all expenses for which reimbursement is claimed hereunder.

**7. Conditions of Underwriters' Obligations.** The obligation of each Underwriter to purchase and pay for the Firm Shares that it has agreed to purchase hereunder on the Closing Date, and to purchase and pay for any Optional Shares as to which it exercises its right to purchase under Section 4 on an Option Closing Date, is subject at the date hereof, the Closing Date and any Option Closing Date to the continuing accuracy and fulfillment of the representations and warranties of Middlesex, to the performance by Middlesex of its covenants and obligations hereunder, and to the following additional conditions:

(a) If required by the Regulations, the Prospectus shall have been filed with the SEC pursuant to Rule 424(b) of the Regulations within the applicable time period prescribed for such filing by the Regulations. On or prior to the Closing Date or any Option Closing Date, as the case may be, no stop order or other order preventing or suspending the effectiveness of the Registration Statement (including any document incorporated by reference therein) or the sale of any of the Shares shall have been issued under the Act or any state or foreign securities law, and no proceedings for that purpose shall have been initiated or shall be pending or, to the Representatives' knowledge or the knowledge of Middlesex, shall be contemplated by the SEC or by any authority in any jurisdiction designated by the Representatives pursuant to Section 5(f) hereof. Any request on the part of the SEC or any state or foreign securities authority for additional information shall have been complied with to the reasonable satisfaction of counsel for the Underwriters.

(b) All corporate proceedings and other matters incident to the authorization, form and validity of this Agreement, the Shares and the form of the Registration Statement and the Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be satisfactory in all material respects to counsel for the Underwriters. Middlesex shall have furnished to such counsel all documents and information that they may have reasonably requested to enable them to pass upon such matters. The Representatives shall have received from the Underwriters' counsel, Ballard Spahr Andrews & Ingersoll, LLP an opinion, dated as of the Closing Date and any Option Closing Date, as the case may be, and addressed to the Representatives individually and as representatives of the several Underwriters, which opinion shall be satisfactory in all respects to the Representatives.

(c) The Representatives shall have received a copy of an executed Lock-up Agreement from Middlesex and each of the persons listed on Schedule II hereto.

(d) On the Closing Date and any Option Closing Date, there shall have been delivered to the Representatives a signed opinion of Norris, McLaughlin & Marcus, P.A., counsel for Middlesex, dated as of each such date and addressed to the Representatives individually and as representatives of the several Underwriters to the effect set forth in Exhibit A hereto or to such effect as is otherwise reasonably satisfactory to the Representatives.

(e) At the Closing Date and any Option Closing Date: (i) the Registration Statement and any post-effective amendment thereto and the Prospectus and any amendments or supplements thereto shall contain all statements that are required to be stated therein in accordance with the Act and the Regulations and in all material respects shall conform to the requirements of the Act and the Regulations, and neither the Registration Statement nor any post-effective amendment thereto nor the Prospectus and any amendments or supplements thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) since the respective dates as of which information is given in the Registration Statement and any post-effective amendment thereto and the Prospectus and any amendments or supplements thereto, except as otherwise stated therein, there shall have been no material adverse change in the Business Conditions of Middlesex from that set forth therein, whether or not arising in the ordinary course of business; (iii) since the respective dates as of which information is given in the Registration Statement and the Prospectus or any amendment or supplement thereto, there shall have been no event or transaction, contract or agreement entered into by Middlesex or any of the Subsidiaries other than in the ordinary course of business and as set forth in the Registration Statement or Prospectus, that has not been, but would be required to be, set forth in the Registration Statement or Prospectus; (iv) since the respective dates as of which information is given in the Registration Statement and any post-effective amendment thereto and the Prospectus and any amendments or supplements thereto, there shall have been no material adverse change, loss, reduction, termination or non-renewal of any contract to which Middlesex or any of the Subsidiaries is a party, that has not been, but would be required to be set forth in the Registration Statement or Prospectus; and (v) no action, suit or proceeding at law or in equity shall be pending or threatened against Middlesex or any of the Subsidiaries that would be required to be set forth in the Prospectus, other than as set forth therein, and no proceedings (other than rate cases filed by Middlesex or its Subsidiaries) shall be pending or threatened against or directly affecting Middlesex or any of the Subsidiaries before or by any federal, state or other commission, board or administrative agency wherein an unfavorable decision, ruling or finding would materially adversely affect the Business Conditions of Middlesex.

(f) The Representatives shall have received at the Closing Date and any Option Closing Date certificates of the Chief Executive Officer and the Chief Financial Officer of Middlesex dated as of the date of the Closing Date or Option Closing Date, as the case may be, and addressed to the Representatives, individually and as representatives of the several Underwriters, to the effect that (i) the representations and warranties of Middlesex in this Agreement are true and correct, as if made at and as of the Closing Date or the Option Closing Date, as the case may be, and that Middlesex has complied with all the agreements, fulfilled all the covenants and satisfied all the conditions on its part to be performed, fulfilled or satisfied at or prior to the Closing Date or the Option Closing Date, as the case may be, and (ii) the signers of the certificate have carefully examined the Registration Statement and the Prospectus and any amendments or supplements thereto, and the conditions set forth in Section 7 hereof have been satisfied.

(g) At the time this Agreement is executed and at the Closing Date and any Option Closing Date the Representatives shall have received a letter, dated the date of delivery thereof, addressed to the Representatives, individually and as representatives of the several Underwriters, in form and substance satisfactory to the Representatives in all respects (including,



without limitation, the non-material nature of the changes or decreases, if any, referred to in clause (iii) below) from Deloitte & Touche LLP:

(i) confirming they are independent certified public accountants within the meaning of the Act and the Regulations, and stating that the section of the Registration Statement under the caption "Experts" is correct insofar as it relates to them;

(ii) stating that, in their opinion, the consolidated financial statements, schedules and notes of Middlesex audited by them and included in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the Regulations;

(iii) stating that, on the basis of specified procedures, which included a reading of the latest available unaudited interim consolidated financial statements of Middlesex (with an indication of the date of the latest available unaudited interim financial statements), a reading of the minutes of the meetings of the stockholders and the Boards of Directors of Middlesex and the Subsidiaries and the Audit, Capital Improvement, Compensation, Corporate Governance, Nominating and Pension Committees of such Boards and inquiries to certain officers and other employees of Middlesex and the Subsidiaries responsible for operational, financial and accounting matters and other specified procedures and inquiries, nothing has come to their attention that would cause them to believe that at a specified date not more than five business days prior to the date of such letter, there was any change in the capital stock (other than (1) the issuance of Common Stock upon the exercise of currently outstanding options and warrants as described in the Prospectus, (2) the grant of options to purchase Common Stock under Middlesex's currently outstanding stock options plans and the issuance of Common Stock upon the exercise thereof, (3) the issuance of Common Stock under Middlesex's Dividend Reinvestment Plan and 401(k) Plan and (4) the issuance of Common Stock under Middlesex's Restricted Stock Plan), increase in long-term debt of Middlesex or any decrease in consolidated net current assets or stockholders equity of Middlesex as compared with the amounts shown in the December 31, 2002 audited balance sheets of Middlesex included in the Registration Statement or that for the periods from December 31, 2002 to the date of the latest available unaudited financial statements of Middlesex, if any, and to a specified date not more than five days prior to the date of the letter, there were any decreases, as compared to the corresponding periods in the prior year, in operating income or total or per share amounts of net income, except in all instances for changes, decreases or increases that the Registration Statement discloses have occurred or may occur and except for such other changes, decreases or increases which the Underwriters shall in their sole discretion accept.

(iv) stating that they have compared specific dollar amounts (or percentages derived from such dollar amounts), numbers of shares and other numerical data and financial information set forth in the Registration Statement that have been reasonably specified by the Representatives prior to the date of this Agreement (in each case to the extent that such dollar amounts, percentages and other information is derived from the general accounting records subject to the internal controls of Middlesex's or the Subsidiaries' accounting systems, or has been derived directly from such accounting records by analysis or comparison or has been derived from other records and analyses maintained or prepared by Middlesex or the

Subsidiaries) with the results obtained from the application of readings, inquiries and other appropriate procedures set forth in the letter, and found them to be in agreement.

All financial statements and schedules included in material incorporated by reference into the Prospectus shall be deemed included in the Registration Statement for purposes of this subsection.

(h) All corporate and other proceedings and other matters incident to the authorization, form and validity of this Agreement and the form of the Registration Statement and Prospectus and all other legal matters related to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all respects to counsel to the Underwriters. Middlesex shall have furnished to such counsel all documents and information that they shall have reasonably requested to enable them to pass upon such matters.

(i) The Shares shall have been included for quotation on the Nasdaq National Market.

(j) At the Closing Date and any Option Closing Date, the Representatives shall have been furnished such additional documents, information and certificates as they shall have reasonably requested.

All such opinions, certificates, letters and documents shall be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to the Representatives and the Underwriters' counsel. Middlesex shall furnish the Representatives with such conformed copies of such opinions, certificates, letters and other documents as they shall reasonably request. If any condition to the Underwriters' obligations hereunder to be fulfilled prior to or at the Closing Date or any Option Closing Date, as the case may be, is not fulfilled, the Representatives may on behalf of the several Underwriters, terminate this Agreement with respect to the Closing Date or such Option Closing Date, as applicable, or, if they so elect, waive any such conditions which have not been fulfilled or extend the time for their fulfillment. Any such termination shall be without liability of the Underwriters to Middlesex.

#### **8. Indemnification and Contribution.**

(a) Middlesex shall indemnify and hold harmless each Underwriter, and each person, if any, who controls each Underwriter within the meaning of the Act, against any and all loss, liability, claim, damage and expense whatsoever, including, but not limited to, any and all reasonable expenses incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever or in connection with any investigation or inquiry of, or action or proceeding that may be brought against, the respective indemnified parties, arising out of or based upon any breach of Middlesex' representations and warranties made in this Agreement or any untrue statements or alleged untrue statements of material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, any application or other document filed in any jurisdiction in order to qualify all or any part of the Shares under the securities laws thereof or filed with the SEC or the NASD (in this Section 8 collectively called "application"), or the omission or alleged omission from any of the foregoing of a material fact required to be stated therein or necessary to make the statements therein not

misleading; provided, however, that the foregoing indemnity shall not apply in respect of any statement or omission made in reliance upon and in conformity with written information furnished to Middlesex by any Underwriter through the Representatives expressly for use in any Preliminary Prospectus, the Registration Statement or Prospectus, or any amendment or supplement thereto, or in any application or in any communication to the SEC, as the case may be; and further provided, however, that the indemnification contained in this Section 8(a) with respect to any Preliminary Prospectus shall not inure to the benefit of any Underwriter (or to the benefit of any person controlling such Underwriter) on account of any such loss, claim, liability or expense arising from the sale of the Shares by such Underwriter to any person if a copy of the Prospectus shall not have been delivered or sent to such person within the time required by the Act and the regulations thereunder, and the untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in such Preliminary Prospectus was corrected in the Prospectus, provided that Middlesex has delivered the Prospectus to the several Underwriters in requisite quantity on a timely basis to permit such delivery or sending. The obligations of Middlesex under this Section 8(a) will be in addition to any liability Middlesex may otherwise have.

(b) Each Underwriter severally and not jointly shall indemnify and hold harmless Middlesex, each of the directors of Middlesex, each of the officers of Middlesex who shall have signed the Registration Statement, and each other person, if any, who controls Middlesex within the meaning of the Act to the same extent as the foregoing indemnities from Middlesex to the several Underwriters, but only with respect to any and all loss, liability, claim, damage or expense resulting from statements or omissions, or alleged statements or omissions, if any, made in any Preliminary Prospectus, Registration Statement or Prospectus or any amendment or supplement thereof or any application or in any communication to the SEC in reliance upon, and in conformity with written information furnished to Middlesex by any Underwriter through the Representatives expressly for use in any Preliminary Prospectus, the Registration Statement or Prospectus or any amendment or supplement thereof, or any application or in any communication to the SEC, as the case may be. The obligations of each Underwriter under this Section 8(b) will be in addition to any liability which such Underwriter may otherwise have.

(c) If any action, inquiry, investigation or proceeding is brought against any person in respect of which indemnification may be sought pursuant to Section 8(a) or (b) or Section 9 hereof, such person (hereinafter called the "indemnified party") shall, promptly after notification of, or receipt of service of process for, such action, inquiry, investigation or proceeding, notify in writing the party or parties against whom indemnification is to be sought (hereinafter called the "indemnifying party") of the institution of such action, inquiry, investigation or proceeding. The indemnifying party, upon the request of the indemnified party, shall assume the defense of such action, inquiry, investigation or proceeding, including, without limitation, the employment of counsel (reasonably satisfactory to such indemnified party) and payment of expenses. No indemnification provided for in this Section 8 shall be available to any indemnified party who shall fail to give such notice if the indemnifying party does not have knowledge of such action, inquiry, investigation or proceeding to the extent that such indemnifying party has been materially prejudiced by the failure to give such notice, but the omission to so notify the indemnifying party shall not relieve the indemnifying party otherwise than under this Section 8. Such indemnified party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of

such indemnified party unless the employment of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such action or if the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party or if such indemnified party or parties shall have been advised by counsel that there may be a conflict between the positions of the indemnifying party or parties and of the indemnified party or parties or that there may be legal defenses available to such indemnified party or parties different from or in addition to those available to the indemnifying party or parties, in any of which events the indemnified party or parties shall be entitled to select counsel to conduct the defense to the extent determined by such counsel to be necessary to protect the interests of the indemnified party or parties, and the reasonable fees and expenses of such counsel shall be borne by the indemnifying party. The indemnifying party shall be responsible for the fees and disbursements of only one such counsel so engaged by the indemnified party or parties. Expenses covered by the indemnification in this Section 8 shall be paid by the indemnifying party as they are incurred by the indemnified party. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action. Anything in this Section 8 to the contrary notwithstanding an indemnifying party shall not be liable for any settlement of a claim effected without its written consent, which consent shall not be unreasonably withheld.

(d) If the indemnification provided for in this Section 8 is unavailable or insufficient to hold harmless an indemnified party under Section 8(a) or (b) hereof in respect of any losses, liabilities, claims, damages or expenses (or actions, inquiries, investigations or proceedings in respect thereof) referred to therein, except by reason of the failure to give notice as required in Section 8(c) hereof (provided that the indemnifying party does not have knowledge of the action, inquiry, investigation or proceeding and to the extent such party has been materially prejudiced by the failure to give such notice), then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, liabilities, claims, damages or expenses (or actions, inquiries, investigations or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by Middlesex on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of Middlesex on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, liabilities, claims or expenses (or actions, inquiries, investigations or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by Middlesex on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by Middlesex bears to the total underwriting discount and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by Middlesex on the one hand or the Underwriters on the other hand and

the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

Middlesex and the Underwriters agree that it would not be just and equitable if contributions to this Section 8(d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 8(d). The amount paid or payable by an indemnified party as a result of the losses, liabilities, claims, damages or expenses (or actions, inquiries, investigations or proceedings in respect thereof) referred to above in this Section 8(d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8(d), (i) the provisions of the Agreement Among Underwriters shall govern contribution among Underwriters, (ii) no Underwriter (except as provided in the Agreement Among Underwriters) shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter, and (iii) no person guilty of fraudulent misrepresentation (within the meaning of Section 10(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this Section 8(d) to contribute are several in proportion to their individual underwriting obligations and not joint.

**9. Representations and Agreements to Survive Delivery.** Except as the context otherwise requires, all representations, warranties and agreements contained in this Agreement shall be deemed to be representations, warranties and agreements at the Closing Date and any Option Closing Date. All such representations, warranties and agreements of the Underwriters and Middlesex, including, without limitation, the indemnity and contribution agreements contained in Section 8 hereof and the agreements contained in Sections 6, 9 and 10 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling person, and shall survive delivery of the Shares and termination of this Agreement, whether before or after the Closing Date or any Option Closing Date.

**10. Effective Date of This Agreement and Termination Hereof.**

(a) This Agreement shall become effective at 10:00 a.m., Philadelphia, Pennsylvania time, on the first business day following the Effective Date or at the time of the public offering by the Underwriters of the Shares, whichever is earlier, except that the provisions of Sections 6, 8, 9 and 10 hereof shall be effective upon execution hereof. The time of the public offering, for the purpose of this Section 10, shall mean the time when any of the Shares are first released by the Underwriters for offering by dealers. The Representatives and Middlesex may prevent the provisions of this Agreement (other than those contained in Sections 6, 8, 9 and 10) hereof from becoming effective without liability of any party to any other party, except as noted below, by giving the notice indicated in Section 10(c) hereof before the time the other provisions of this Agreement become effective.

(b) The Representatives shall have the right to terminate this Agreement at any time prior to the Closing Date or any Option Closing Date as provided in Sections 7 and 11 hereof or if any of the following have occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse

change or any development involving a prospective material adverse change in or affecting the Business Conditions of Middlesex or any of the Subsidiaries, whether or not arising in the ordinary course of business, that would, in the Representatives' opinion, make the offering or delivery of the Shares impracticable; (ii) any outbreak of hostilities or other national or international calamity or crisis or change in economic, political or financial market conditions if the effect on the financial markets of the United States of such outbreak, calamity, crisis or change would, in the Representatives' opinion, make the offering or delivery of the Shares impracticable; (iii) any suspension or limitation of trading generally in securities on the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market or the over-the-counter market or any setting of minimum prices for trading or the promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority that in the Representatives' opinion materially and adversely affects trading on such exchange or the over-the-counter market; (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which in the Representatives' opinion materially and adversely affects or will materially or adversely affect the business or operations of Middlesex; (v) declaration of a banking moratorium by the United States, New York or Pennsylvania authorities; (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs that in the Representatives' opinion has a material adverse effect on the securities markets in the United States; or (vii) trading in any securities of Middlesex shall have been suspended or halted by NASD or the SEC.

(c) If the Representatives elect to prevent this Agreement from becoming effective or to terminate this Agreement as provided in this Section 10, the Representatives shall notify Middlesex hereof promptly by telephone, telex, telegraph, telegram or facsimile, confirmed by letter.

**11. Default by an Underwriter.**

(a) If any Underwriter or Underwriters shall default in its or their obligation to purchase Firm Shares or Optional Shares hereunder, and if the Firm Shares or Optional Shares with respect to which such default relates do not exceed in the aggregate 10% of the number of Firm Shares or Optional Shares, as the case may be, that all Underwriters have agreed to purchase on the relevant Closing Date or Option Closing Date, then the Representatives may make arrangements satisfactory to Middlesex for the purchase of such Firm Shares by other persons, including any of the Underwriters, but if no such arrangements are made by the relevant Closing Date or Option Closing Date, such Firm Shares or Optional Shares to which the default relates shall be purchased severally by the non-defaulting Underwriters in proportion to their respective commitments hereunder.

(b) If such default relates to more than 10% of the Firm Shares or Optional Shares, as the case may be, the Representatives may in their discretion arrange for another party or parties (including a non-defaulting Underwriter) to purchase such Firm Shares or Optional Shares to which such default relates, on the terms contained herein. In the event that the Representatives do not arrange for the purchase of the Firm Shares or Optional Shares to which a default relates as provided in this Section 11, this Agreement may be terminated by the Representatives or by Middlesex without liability on the part of the non-defaulting several

Underwriters (except as provided in Section 8 hereof) or Middlesex (except as provided in Sections 6 and 8 hereof); provided that if such default occurs with respect to Optional Shares after the Closing Date, this Agreement will not terminate as to the Firm Shares or any Optional Shares purchased prior to such termination. Nothing herein shall relieve a defaulting Underwriter of its liability, if any, to the other several Underwriters and to Middlesex for damages occasioned by its default hereunder.

(c) If the Firm Shares or Optional Shares to which the default relates are to be purchased by the non-defaulting Underwriters, or are to be purchased by another party or parties, the Representatives or Middlesex shall have the right to postpone the Closing Date or any Option Closing Date, as the case may be, for a reasonable period but not in any event exceeding seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus or in any other documents and arrangements, and Middlesex agrees to file promptly any amendment to the Registration Statement or supplement to the Prospectus that in the opinion of counsel for the Underwriters may thereby be made necessary. The terms "Underwriters" and "Underwriter" as used in this Agreement shall include any party substituted under this Section 11 with like effect as if it had originally been a party to this Agreement with respect to such Firm Shares and/or Optional Shares.

**12. Information Furnished by Underwriters.** The statement set forth on the last paragraph at the bottom of the cover page of the Prospectus regarding the terms of the Offering by the Underwriters, the legends below the table of contents on page \_\_\_\_ of the Prospectus regarding stabilization and passive market making, the identity of the Underwriters set forth in the first paragraph under the heading "Underwriting," the concession and reallowance figures appearing in the \_\_\_\_ paragraph under the caption "Underwriting," the representations with respect to stabilization activities in the \_\_\_\_ paragraph under the heading "Underwriting," the \_\_\_\_ paragraph under the caption "Underwriting" regarding passive market making and discretionary authority in the \_\_\_\_ paragraph under the heading "Underwriting" constitute the only written information furnished by reference or on behalf of any Underwriter referred to in Sections 1(b) and 8 hereof.

**13. Notice.** All communications hereunder, except as herein otherwise specifically provided, shall be in writing and, if sent to any Underwriter, shall be mailed, delivered, telexed, telegrammed, telegraphed or telecopied and confirmed to such Underwriter, c/o Janney Montgomery Scott LLC, 1801 Market Street, Philadelphia, Pennsylvania 19103, Attention: Mr. William L. Rulon-Miller, facsimile number (215) 665-6197, with a copy to Ballard Spahr Andrews & Ingersoll, LLP, 1735 Market Street, Philadelphia, Pennsylvania 19103, Attention: Justin P. Klein, Esquire, facsimile number (215) 864-8999; and if sent to Middlesex, shall be mailed, delivered, telexed, telegrammed, telegraphed or telecopied and confirmed to Middlesex Water Company, 1500 Ronson Road, Iselin, N.J., 08830, Attention: A. Bruce O'Connor, facsimile number (732) 750-5981, with a copy to Norris, McLaughlin & Marcus, P.A., 721 Route 202-206, Bridgewater, NJ 08807, Attention: Peter D. Hutcheon, Esquire, facsimile number (908) 722-0755.

**14. Parties.** This Agreement shall inure solely to the benefit of, and shall be binding upon, the several Underwriters, Middlesex and the controlling persons, directors and officers thereof, and their respective successors, assigns, heirs and legal representatives, and no other

person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained. The terms "successors" and "assigns" shall not include any purchaser of the Shares merely because of such purchase.

**15. Definition of Business Day.** For purposes of this Agreement, "business day" means any day on which the Nasdaq National Market is opened for trading.

**16. Counterparts.** This Agreement may be executed in one or more counterparts and all such counterparts will constitute one and the same instrument.

**17. Construction.** This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to agreements made and performed entirely within such Commonwealth.

If the foregoing correctly sets forth your understanding of our agreement, please sign and return to Middlesex the enclosed duplicate hereof, whereupon it will become a binding agreement in accordance with its terms.

Very truly yours,

MIDDLESEX WATER COMPANY

By: \_\_\_\_\_

**A. Bruce O'Connor**  
Vice President, Chief Financial Officer and  
Controller

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

JANNEY MONTGOMERY SCOTT LLC

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

By: \_\_\_\_\_

By: \_\_\_\_\_

Name:  
Title:  
On behalf of each of the Underwriters named in Schedule I  
hereto

Name:  
Title:  
On behalf of each of the Underwriters named in Schedule I hereto



SCHEDULE I

Schedule of Underwriters

<u>Underwriter</u>	<u>Number of Firm Shares to be Purchased</u>
Janney Montgomery Scott LLC	_____
Edward D. Jones & Co., L.P.	_____
<b>Total</b>	<b>700,000</b>

SCHEDULE II

Persons Who Are to Deliver Lock-Up Agreements

Lock-Up Agreements are to be delivered by the following persons and entities immediately prior to the time the SEC declares the Registration Statement effective:

Middlesex Water Company  
Dennis G. Sullivan  
A. Bruce O'Connor  
Ronald F. Williams  
Marion F. Reynolds  
Kenneth J. Quinn  
James P. Garrett  
Richard M. Risoldi  
Gerard L. Esposito  
John C. Cutting  
John P. Mulkerin  
Annette Catino  
Walter G. Reinhard  
John R. Middleton  
Stephen H. Mundy

**EXHIBIT A**

**Matters to be Covered in the Opinion of  
Norris, McLaughlin & Marcus, P.A.  
Counsel for Middlesex**

1. Middlesex is a corporation duly incorporated and validly existing in good standing under the laws of the State of New Jersey, with full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus.

2. Each of the Subsidiaries is a corporation duly incorporated or limited liability company duly formed and validly existing in good standing under the laws of the state of its incorporation or formation with full power and authority as a corporation or limited liability company, as the case may be, to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus. All of the outstanding shares of capital stock of each of the Subsidiaries that are corporations have been duly authorized and validly issued, and are fully paid and nonassessable, and are owned by Middlesex directly, or indirectly through another Subsidiary of Middlesex, free and clear of any liens or other security interests. Middlesex, either directly or indirectly through another Subsidiary of Middlesex, is the sole member of each Subsidiary that is a limited liability company, and it owns its interest therein free and clear of any liens or other security interests. No provision of the operating agreement of any LLC Subsidiary or of the statutes pursuant to which they are formed requires the payment of additional capital to such LLC Subsidiary by the members thereof.

3. The Shares conform in all material respects to the description of the Common Stock in the Prospectus.

4. All shares of capital stock of Middlesex outstanding prior to the issuance of the Shares to be issued and sold by Middlesex hereunder are free of (a) any preemptive rights arising under Middlesex's Certificate of Incorporation, as amended, or by the New Jersey Business Corporation Act or (b) to counsel's knowledge, similar rights that entitle or will entitle any person to acquire any shares upon the issuance thereof by Middlesex.

5. Neither the execution, delivery or performance of the Underwriting Agreement, by Middlesex, compliance by Middlesex with the provisions of the Underwriting Agreement nor consummation by Middlesex of the transactions contemplated by the Underwriting Agreement (a) violates the provisions of the Certificate of Incorporation, as amended, or Bylaws of Middlesex, (b) violates the New Jersey Business Corporation Act or any present statute, rule or regulation promulgated by the United States that is applicable to Middlesex and to transactions of the type contemplated by the Underwriting Agreement, or (c) constitutes or will constitute a material breach of, or a default under, any material agreement or instrument known to counsel to which Middlesex or any Subsidiary is a party or by which Middlesex or any Subsidiary may be bound or which is filed as an exhibit to the Registration Statement.

6. The descriptions in the Registration Statement and the Prospectus of contracts and other documents are accurate in all material respects and fairly present the information required by the Act and the Regulations to be disclosed, and we do not know of any contracts or documents of a character required by the Act and the Regulations to be described in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement that are not described and filed as required.

7. No consent, approval, authorization or other order of, or registration or filing with, any court, regulatory body, administrative agency or other governmental body, agency, or official is required on the part of Middlesex other than: (i) such as may be required under the Act and the Securities Exchange Act of 1934, as amended, (ii) such as may be required by the NASD or under state securities or Blue Sky laws of any jurisdiction applicable to the purchase and distribution of the Shares, as to which counsel need not express an opinion; and (iii) approval by the New Jersey Board of Public Utilities: for the valid issuance and sale of the Shares to the Underwriters as contemplated by the Underwriting Agreement.

8. The Registration Statement and the Prospectus, including the documents incorporated by reference therein, and each amendment or supplement to the Registration Statement and the Prospectus, as of their respective effective or issue dates (other than the financial statements and the notes thereto and schedules and other financial and statistical data found in or derived from the internal accounting and other financial records of Middlesex and its subsidiaries which is included therein or incorporated by reference or in exhibits to the Registration Statement, or which should have been included in the Registration Statement or exhibits thereto, as to which counsel need not express an opinion) comply as to form in all material respects with the requirements of the Act and the regulations thereunder. The eligibility requirements for the use of Form S-3 set forth in the General Instructions thereto have been satisfied.

9. Middlesex has the corporate power and authority to enter into the Underwriting Agreement and to perform its obligations thereunder. Middlesex has taken all corporate action necessary to authorize the execution, delivery and performance of the Underwriting Agreement. The Underwriting Agreement has been duly executed and delivered on behalf of Middlesex and constitutes the legal valid and binding obligation of Middlesex, enforceable against Middlesex in accordance with its terms, except to the extent enforceability may be limited by (i) the application of bankruptcy, reorganization, insolvency or other laws affecting creditors' rights generally and (ii) equitable principles being applied at the discretion of a court before which any proceeding may be brought, and except as rights to indemnity and contribution thereunder may be limited by or unenforceable under federal or state securities laws.

10. The Shares to be issued and sold to the Underwriters by Middlesex pursuant to the Underwriting Agreement have been duly authorized and, when issued and delivered to the Underwriters against payment in full therefor in accordance with the terms thereof, such Shares will be validly issued, fully paid and nonassessable. The Shares are free of (a) any preemptive rights arising under Middlesex's Certificate of Incorporation, as amended, or the New Jersey Business Corporation Act, or (b) to counsel's knowledge similar rights that entitled or will entitle any person to acquire any of the Shares upon the sale of the Shares by Middlesex.

11. The descriptions in the Prospectus of statutes, regulations or legal or governmental proceedings, insofar as they purport to summarize certain of the provisions thereof, are accurate in all material respects and fairly present the information required to be presented by the Act and the rules and regulations thereunder.

12. Middlesex is not an “investment company” as defined in the Investment Company Act of 1940, as amended, and will not become an investment company as a result of the issuance and sale of the Shares, assuming that the net proceeds of the Shares are applied by Middlesex as disclosed in the Prospectus.

13. The statements in the Prospectus under the captions “Description of Capital Stock,” insofar as such statements constitute a summary of documents referred to therein or matters of law fairly summarize, in all material respects, the information required by the Act and the regulations thereunder with respect to such documents and matters.

14. To counsel’s knowledge, no material legal or governmental proceedings are pending or threatened against Middlesex or any of the Subsidiaries, or to which Middlesex or the Subsidiaries or any of their respective properties is subject, which are required to be described in the Registration Statement or the Prospectus that are not described as required.

15. Based upon communications with representatives of the Commission (i) the Registration Statement has become effective under the Act, (ii) no stop order suspending the effectiveness of the Registration Statement has been issued, and (iii) no proceedings for that purpose are pending before or contemplated by the Commission.

In rendering such opinion, counsel may rely, to the extent they deem such reliance proper, as to matters of fact upon certificates of officers of Middlesex and of government officials, provided that counsel shall state their belief that they and you are justified in relying thereon. Copies of all such certificates shall be furnished to you and your counsel on the Closing Date and the Option Closing Date, as the case may be. As to matters of law of all jurisdictions other than New Jersey, counsel may rely on the opinion of a firm licensed to practice law in such other jurisdiction reasonably acceptable to the Representatives.

In addition to the opinions set forth above, such counsel shall state that during the course of their participation in the preparation of the Registration Statement and the Prospectus and the amendments thereto, nothing has come to the attention of such counsel that has caused such counsel to believe or given such counsel reason to believe that the Registration Statement or the Prospectus or any amendment thereto (except for the financial statements and other financial and accounting information contained therein or omitted therefrom as to which no opinion need be expressed), at the date thereof, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading or that the Registration Statement or the Prospectus as of the date of the opinion (except as aforesaid), contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in this Amendment No. 3 to Registration Statement No. 333-110786 of Middlesex Water Company on Form S-3 of our report dated March 4, 2004 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the restatement described in the Notes to the Financial Statements included in the Form 10-K/A) appearing in the Annual Report on Form 10-K/A of Middlesex Water Company for the year ended December 31, 2003 and to the reference to us under the heading "Experts" in the Prospectus, which is part of this Registration Statement.

/s/ Deloitte & Touche LLP  
Parsippany, New Jersey  
April 16, 2004