

SOUTH JERSEY INDUSTRIES INC
Form DEF 14A
March 09, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Part other than the Registrant

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to 240.14a-12

SOUTH JERSEY INDUSTRIES, INC.

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3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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South Jersey Industries

1 South Jersey Plaza, Folsom, New Jersey 08037

Tel. (609) 561-9000 - Fax (609) 561-8225 - TDD ONLY 1-800-547-9085

Notice of Annual Meeting of Shareholders

April 28, 2006

NOTICE IS HEREBY GIVEN that **the Annual Meeting of Shareholders of South Jersey Industries, Inc. will be held at the Renault Winery Restaurant, 72 N. Bremen Avenue, Egg Harbor City, New Jersey, on Friday, April 28, 2006, at 10:00 a.m., Eastern Time**, for the following purposes:

1. To elect four Class II Directors to serve on the Board of Directors until the 2009 annual meeting of shareholders.
2. To ratify the appointment of Deloitte & Touche LLP as independent registered public accounting firm for 2006.
3. To transact such other business that may properly come before the meeting.

The Board of Directors has fixed the close of business on February 24, 2006 as the record date for determining the shareholders of the Company entitled to notice of and to vote at the Annual Meeting or any adjournments thereof. Accordingly, only shareholders of record on that date are entitled to notice of and to vote at the meeting.

You are cordially invited to attend the meeting. Whether or not you expect to attend the meeting, we urge you to vote your shares now. Please complete and sign the enclosed proxy card and promptly return it in the envelope provided or, if you prefer, you may vote by telephone or on the Internet. Please refer to the enclosed proxy card for instructions on how to use these options. Should you attend the meeting, you may revoke your proxy and vote in person.

By Order of the Board of Directors,
Richard H. Walker, Jr.
Vice President, General Counsel & Secretary

Folsom, NJ
March 22, 2006

YOUR VOTE IS IMPORTANT
PLEASE VOTE, SIGN, DATE, AND PROMPTLY RETURN YOUR PROXY IN THE ENCLOSED
ENVELOPE OR VOTE BY TELEPHONE OR ON THE INTERNET.

SOUTH JERSEY INDUSTRIES, INC.

1 South Jersey Plaza, Folsom, New Jersey 08037

PROXY STATEMENT

This statement is furnished on behalf of the Board of Directors of South Jersey Industries, Inc. to solicit proxies for use at its 2006 Annual Meeting of Shareholders. The meeting is scheduled for Friday, April 28, 2006, at 10:00 a.m. at the Renault Winery Restaurant, 72 N. Bremen Avenue, Egg Harbor City, New Jersey. The approximate date proxy materials will be sent to shareholders is March 22, 2006.

Proxy Solicitation

The Company bears the cost of this solicitation, which is primarily made by mail. However, the Secretary or employees of the Company may solicit proxies by phone, telegram, fax, e-mail or in person, but such persons will not be separately compensated for such services. The Company may also use a proxy-soliciting firm at a cost not expected to exceed \$6,000, plus expenses, to distribute to brokerage houses and other custodians, nominees, and fiduciaries additional copies of the proxy materials and Annual Report to Shareholders for beneficial owners of our stock.

Record Date

Only shareholders of record at the close of business on February 24, 2006 may vote at the meeting. On that date, the Company had 28,997,507 shares of Common Stock outstanding. Shareholders are entitled to one vote per share on each matter to be acted upon.

Quorum and Vote Required

A quorum is necessary to conduct the business of the meeting. This means that holders of at least a majority of the outstanding shares of Common Stock must be present at the meeting, either by proxy or in person. Directors are elected by a plurality vote of all votes cast at the meeting. All other matters that come before the meeting require the affirmative vote of a majority of the votes cast at the meeting. Abstentions and broker non-votes will be treated as present to determine a quorum but will not be deemed to be cast and, therefore, will not affect the outcome of any of the shareholder questions. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

Voting of Proxies and Revocation

Properly signed proxies received by the Company will be voted at the meeting. If a proxy contains a specific instruction as to any matter to be acted on, the shares represented by the proxy will be voted in accordance with those instructions. If you sign and return your proxy but do not indicate how to vote for a particular matter, your shares will be voted as the Board of Directors recommends. A shareholder who returns a proxy may revoke it at any time before it is voted by submitting a later-dated proxy or by voting by ballot at the meeting. If you attend the meeting and wish to revoke your proxy, you must notify the meeting's secretary in writing prior to the voting of the proxy. If any other matters or motions properly come before the meeting, including any matters dealing with the conduct of the meeting, it is the intention of the persons named in the accompanying proxy card to vote such proxy in accordance with their judgment. The Board of Directors is not aware of any such matters other than those described in this proxy statement.

PROPOSAL 1

DIRECTOR ELECTIONS

At the Annual Meeting, four Class II directors are to be elected to the Board of Directors to hold office for a three-year term. The persons listed below have been nominated by the Board, and unless otherwise instructed, proxy votes will be cast for such persons as directors: Shirli M. Billings, Thomas A. Bracken, Sheila Hartnett-Devlin and Frederick R. Raring. The Board of Directors currently consists of eleven members. All of the nominees previously have been elected by the Company's shareholders and are currently serving as directors. While we do not anticipate that, if elected, any of the nominees will be unable to serve, if any should be unable to accept the nomination or election, the persons designated as proxies on the proxy card will vote for the election of such other person as the Board of Directors may recommend.

NOMINEES

Class II

Term Expires in 2009

Shirli M. Billings, Ph.D. has been a director since 1983. Age 65. Member of the Executive Committee, the Compensation/Pension Committee, the Management Development Committee and Chairman of the Nominating and Governance Committee. President, Billings & Company, New Albany, OH, a human resource consulting firm (2001 to date); President, Leadership Learning Academy, Lakeland, FL, a human resource development agency (1999 - 2001); Superintendent of Schools, Oberlin, OH (1994 - 1997); Vice President, Human Resource Development, Honeywell, Inc., Minneapolis, MN (1985-1990); trustee, Scholarship America, Saint Peter, MN.; director, South Jersey Gas Company.

Thomas A. Bracken has been a director since 2004. Age 58. Member of Audit and Compensation/Pension Committees. President and CEO of Sun Bancorp, Inc. and its wholly-owned subsidiary Sun National Bancorp, Inc., Vineland, NJ (2001 to date); Executive Director Public Sector Group, First Union Bank (2000 - 2001); Executive Vice President, Head of Commercial and Governmental Banking for New Jersey, New York and Connecticut, First Union Bank (1998 - 2000); Chairman, Economic Development Corporation of Trenton, Trenton, NJ; Chairman, New Jersey Chamber of Commerce; director, New Jersey Bankers Association; director and Chairman, Finance Committee, New Jersey Cancer Institute; director, New Jersey Alliance for Action; director, New Jersey Network; member, Community Bank Council, Federal Reserve Bank of Philadelphia; director, South Jersey Energy Company; Executive Committee Member, Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

Sheila Hartnett-Devlin, CFA has been a director since 1999. Age 47. Chairman of the Audit Committee, member of the Compensation/Pension Committee and the Nominating and Governance Committee. Senior Investment Manager, Cohen, Klingenstein & Marks, Inc. an investment management company (September 2005 to date); Executive Vice President (1997 - 2004), Senior Vice President (1991 - 1997), Vice President (1985 - 1991), Chair, Global Investment Committee (1996 - 2004), Member, Investment Policy Committee (1995 - 2004), Fiduciary Trust Company International, New York, NY; member, New York Society of Security Analysts; director, Mercy Investment Program, Inc.; director, Mannington Mills, Inc.; director, South Jersey Gas Company.

Frederick R. Raring has been a director since 1995. Age 68. Member of the Executive Committee, the Audit Committee, the Nominating and Governance Committee and Chairman of the Environmental Committee. President, Seashore Supply Company, Ocean City, NJ, a distributor of plumbing and heating supplies and materials (1990 to date); director, South Jersey Gas Company.

**The Board of Directors recommends a vote “FOR” each of
the above nominees.**

DIRECTORS CONTINUING IN OFFICE

Class III

Term Expires in 2007

Helen R. Bosley, CFA has been a director since 2004. Age 58. Member of the Audit and Compensation/Pension Committees. President, Corporate Financial Management, Inc., a financial management and insurance consulting firm, Yardley, PA (1990 to date); President, TBN Agency, Inc., Yardley, PA (1990 to date); trustee, Abington Memorial Foundation, Abington, PA; member, Financial Analysts of Philadelphia, Philadelphia, PA; Chair, Investment Committee, Girl Scouts of Southeastern PA, Miquon, PA; director, South Jersey Energy Company; Executive Committee Member, Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

Edward J. Graham has been a director since 2004. Age 48. Chairman of the Executive Committee, Member of the Environmental and the Management Development Committees. Chairman of the Board (April 2005 to date), President and Chief Executive Officer of the Company and South Jersey Gas Company (February 2004 to date); President and Chief Operating Officer (2003 - January 2004) and President (2003 to date), South Jersey Gas Company; President (2000 - 2003), South Jersey Energy Company; Vice President of the Company (2000 - 2001); Senior Vice President, Energy Management, South Jersey Gas Company (1998 - 2000); director, New Jersey State Chamber of Commerce, Trenton, NJ; member, Leadership Council, American Gas Association, Washington, DC; director, New Jersey Utilities Association, Trenton, NJ; Vice Chairman and Treasurer, Rowan University Foundation, Glassboro, NJ; member, South Jersey Health System Foundation Board, Vineland, NJ; commissioner, New Jersey Commission on Higher Education; director, South Jersey Gas Company.

Ambassador William J. Hughes has been a director since 2002. Age 73. Member of the Audit Committee and the Nominating and Governance Committee. Of Counsel, law firm of Riker, Danzig, Scherer, Hyland & Perretti, LLP (2000 to date), Morristown and Trenton, NJ; Visiting Distinguished Scholar of Public Policy, The Richard Stockton College of New Jersey (1999 to date), Pomona, NJ; Visiting Professor, Rutgers, The State University of New Jersey (1999 - 2003), New Brunswick, NJ; United States Ambassador to the Republic of Panama (1995 - 1998); Member, United States House of Representatives (1975 - 1995); director, South Jersey Gas Company.

Herman D. James, Ph.D. has been a director since 1990. Age 62. Member of the Compensation/Pension Committee, the Executive Committee, the Management Development Committee and the Audit Committee. Distinguished Professor, Rowan University (1998 to date), President, Rowan University (1984 - 1998), Glassboro, NJ; director, American Association of State Colleges and Universities, (1994 - 1998), Washington, DC; director, New Jersey State Chamber of Commerce (1992 - 1998), Trenton, NJ; director, South Jersey Energy Company; Executive Committee Member, Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

DIRECTORS CONTINUING IN OFFICE

Class I

Term Expires in 2008

Charles Bisciegli has been a director since 1998. Age 61. Member of the Executive Committee, the Environmental Committee and the Management Development Committee. Chairman of the Board (January 2004 to April 21, 2005), Chairman and Chief Executive Officer (2000 - January 31, 2004), President and Chief Executive Officer (1998 - 2004) of the Company and South Jersey Gas Company; Vice President (1997-1998) of the Company and Executive Vice President and Chief Operating Officer (1991-1998) of South Jersey Gas Company; former director, American Gas Association, Washington, DC; Chairman, Board of Trustees, Shore Memorial Hospital, Somers Point, NJ; director, Shore Memorial Health System; President, Board of Directors, United Way of Atlantic County, NJ; director, South Jersey Gas Company.

Keith S. Campbell has been a director since 2000. Age 51. Member of the Environmental Committee, the Nominating and Governance Committee and Chairman of the Management Development Committee. Chairman of the Board, Mannington Mills, Inc., Salem, NJ, a leading manufacturer of hard and soft surface flooring (1995 to date); trustee, Rowan University, Glassboro, NJ; director, Skytop Lodge, Inc.; director, South Jersey Energy Company; Executive Committee Member, Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

W. Cary Edwards has been a director since September 1993 and was also a director from April 1990 to January 1993. Age 61. Lead Director (April 2005 to date), Member of the Environmental Committee, the Executive Committee, the Management Development Committee, Chairman of the Compensation/Pension Committee. Chairman, New Jersey State Commission on Investigation (1997 to date); Senior Attorney, Edwards & Caldwell, LLC (1993 to date); Of Counsel (1993) and New Jersey Managing Partner (1990 - 1993), law firm of Mudge Rose Guthrie Alexander & Ferdon; Attorney General, State of New Jersey (1986 - 1989); Chief Legal Counsel - Governor of New Jersey (1982 - 1986); life trustee, Monmouth University; Chairman and Director, South Jersey Sanitation, Inc.; director, South Jersey Energy Company; Executive Committee Member, Marina Energy, LLC, South Jersey Energy Service Plus, LLC and South Jersey Resources Group, LLC.

SECURITY OWNERSHIP

Directors and Management

The following table sets forth certain information with respect to the beneficial ownership of our common stock, as of February 21, 2006, of (a) each continuing director and nominee for director, (b) our chief executive officer and the four other most highly compensated executive officers during 2005 (collectively, the "Named Executives") and (c) all of the directors and executive officers of the Company as a group.

	<i>Number of Shares of Common Stock (1)</i>	<i>Percent of Class</i>
Shirli M. Billings	17,867 (2)	*
Charles Bisciegia	98,348 (2)	*
Helen R. Bosley	3,121 (2)	*
Thomas A. Bracken	1,612 (2)	*
Keith S. Campbell	3,191 (2)	*
W. Cary Edwards	8,861 (2)	*
Edward J. Graham	65,561	*
Sheila Hartnett-Devlin	15,558 (2)	*
William J. Hughes	4,686 (2)	*
Herman D. James	12,597 (2)	*
Frederick R. Raring	58,002 (2)	*
Richard J. Jackson	38,905	*
David A. Kindlick	56,576	*
Albert V. Ruggiero	42,273	*
Richard H. Walker, Jr.	19,534	*
All continuing directors, nominees for director and executive officers as a group (19 persons)	446,692	1.5%

* Less than 1%.

Notes:

- (1) Based on information furnished by the Company's directors and executive officers. Unless otherwise indicated, each person has sole voting and dispositive power with respect to the Common Stock shown as owned by him or her.
- (2) Includes shares awarded to each director under a Restricted Stock Program for Directors. Restricted stock owners have the power to vote shares but no investment power with respect to the shares until the restrictions lapse.
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Stock Ownership Requirements

The Board of Directors believes that significant ownership of Company Common Stock better aligns the interests of management of the Company and its principal subsidiaries with that of the Company's shareholders. Therefore, in 2001 the Board of Directors enacted the following stock ownership requirements for officers and directors:

n The Chief Executive Officer is required to own shares of Company Common Stock with a market value equal to a minimum of three times his or her annual base salary;

n Other executive officers are required to own shares of Company Common Stock with a market value equal to a minimum of one and one-half times their annual base salary;

n Other officers are required to own shares of Company Common Stock with a market value equal to a minimum of their annual base salary;

n Shares owned outright will be combined with vested restricted shares awarded under the Stock-Based Compensation Plan and vested shares beneficially owned through any employee benefit plan for purposes of determining compliance with the stock ownership requirement for officers. Current officers will have a period of six years from the original date of adoption and newly elected or promoted officers will have a period of six years following their election or promotion to a new position to meet these minimum stock ownership requirements; and

n Members of the Board of Directors are required, within six years of becoming a director of the Company or any of its principal subsidiaries, to own shares of Company Common Stock with a market value equal to a minimum of five times the current value of the Board's annual cash retainer. Shares owned outright will be combined with restricted shares awarded as part of the annual stock retainer for the purpose of meeting these requirements.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, the Company's directors and executive officers are required to file reports with the Securities and Exchange Commission relating to their ownership of and transactions in the Company's Common Stock. Based on our records and other information, the Company believes that all Section 16(a) filing requirements were met for 2005.

Security Ownership of Certain Beneficial Owners

The following table sets forth certain information, as of February 21, 2006, as to each person known to the Company, based on filings with the Securities and Exchange Commission, who beneficially owns 5% or more of the Common Stock. Based on filings made with the SEC, the shareholder named below has sole voting and investment power with respect to such shares.

<i>Name and Address of Beneficial Owner</i>	<i>Shares Beneficially Owned</i>	<i>Percent of Class</i>
Dimensional Fund Advisors, Inc. 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401-1005	2,258,442	7.87%
Barclays Global Investors Japan Trust and Banking Company Limited Ebsiu Prime Square Tower 8th Floor 1-1-39 Hiroo Shibuya - Ku Tokyo 150-0012 Japan	1,520,408*	5.30%*

*Barclays Global Investors Japan Trust and Banking Co. LTD has filed with the Securities and Exchange Commission Schedule 13G indicating that shares identified above are held by the company in trust accounts for Barclay Global Investors NA and Barclay Global Fund Advisors. Barclay Global Investors NA holds 806,539 shares representing 2.81% of the class. Barclay Global Fund Advisors holds 713,868 shares representing 2.49% of the class. Both companies in Schedule 13G disclaim being a member of a "group" as defined under Securities and Exchange Commission Rules.

THE BOARD OF DIRECTORS

Corporate Governance

Independence of Directors

The Board has adopted Corporate Governance Guidelines that require the Board to be composed of a majority of directors who are “independent directors” as defined by the rules of the New York Stock Exchange. No director will be considered “independent” unless the Board of Directors affirmatively determines that the director has no material relationship with the Company. When making “independence” determinations, the Board considers all relevant facts and circumstances, as well as any other facts and considerations specified by the New York Stock Exchange, by law or by any rule or regulation of any other regulatory body or self-regulatory body applicable to the Company. As a part of its Corporate Governance Guidelines, the Board had established the policy that Board members may not serve on more than four other boards of publicly traded companies.

The Board has determined that Billings, Bosley, Bracken, Campbell, Edwards, Hartnett-Devlin, Hughes, James and Raring constituting all of the other non-employee directors with the exception of Mr. Bisciegia, meet the New York Stock Exchange standards and our own standards set forth above for independence and are, therefore, considered to be independent directors. Accordingly, during 2005, nine of the eleven directors of the Company were considered to be “independent.”

Codes of Conduct

The Company has adopted codes of conduct for all employees, officers and directors, which include the code of ethics for our principal executive, our principal financial officer and principal accounting officer within the meaning of the SEC regulations adopted pursuant to the Sarbanes-Oxley Act of 2002. Additionally, the Company has established a hotline and website for employees to anonymously report suspected violations.

A copy of the codes of ethics are available on the Company’s website at www.sjindustries.com under the heading “Investor Relations”. Copies of our codes of conduct are also available at no cost to any shareholder who requests them in writing at South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, NJ 08037, Attention: Corporate Secretary.

Communication with Directors

The non-management directors of the Board met three times and the independent directors met one time during 2005. Topics of these independent sessions included CEO performance and compensation and discussions of corporate governance. Meetings of the non-management and independent directors are chaired by the Lead Director. You may communicate with the Lead Director and chairmen of the Audit, Compensation/Pension and Nominating and Governance Committees by sending an e-mail to auditchair@sjindustries.com, compchair@sjindustries.com (for Lead Director) or nomgovchair@sjindustries.com, respectively, or you may communicate with our outside independent directors as a group by sending an e-mail to sjdirectors@sjindustries.com. The charters and scope of responsibility for each of the Company's committees can be found on the Company's website at www.sjindustries.com. You may also address any correspondence to the chairmen of the committees or the outside directors at South Jersey Industries, Inc., 1 South Jersey Plaza, Folsom, New Jersey 08037.

Meetings of the Board of Directors and its Committees

The Board of Directors met nine times in 2005. Each director attended 75% or more of the total number of meetings of the Board of Directors and the meetings of the committees of the Board on which he or she served. All of our directors attended the 2005 Annual Meeting of Shareholders. During 2005, each of the directors of the Company also served on the Boards or Executive Committees of one or more of South Jersey Gas Company, South Jersey Energy Company, Marina Energy, LLC, South Jersey Resources Group, LLC, South Jersey Energy Service Plus, LLC, Energy & Minerals, Inc. and R&T Group, Inc., all of which are direct subsidiaries of the Company.

There are six standing committees of the Board: the Audit Committee; the Compensation/Pension Committee; the Environmental Committee; the Executive Committee; the Nominating and Governance Committee; and the Management Development Committee.

Audit Committee

The Audit Committee of the Board of Directors, which met ten times during 2005, is comprised of six “independent” directors as that term is defined in the rules and regulations of the Securities and Exchange Commission and the listing standards of the New York Stock Exchange: Sheila Hartnett-Devlin, Chairman; Helen R. Bosley; Thomas A. Bracken; Dr. Herman D. James; William J. Hughes; and Frederick R. Raring. The Board has determined that no member of the Audit Committee has a material relationship that would jeopardize such member’s ability to exercise independent judgment. In January 2005, the Board of Directors designated Ms. Hartnett-Devlin, Ms. Bosley and Mr. Bracken as “audit committee financial experts” as such term is defined by applicable rules and regulations of the Securities and Exchange Commission. The Audit Committee: (1) annually engages an independent registered public accounting firm for appointment, subject to Board and shareholder approval, as auditors of the Company and has the authority to unilaterally retain, compensate and terminate the Company’s independent registered public accounting firm; (2) reviews with the independent registered public accounting firm the scope and results of each annual audit; (3) reviews with the independent registered public accounting firm, the Company’s internal auditors and management the quality and adequacy of the Company’s internal controls and the internal audit function’s organization, responsibilities, budget and staffing; and (4) considers the possible effect on the objectivity and independence of the independent registered public accounting firm of any non-audit services to be rendered to the Company. The Audit Committee has established policies and procedures for the engagement of the independent registered public accounting firm to provide audit and permitted non-audit services. The Audit Committee evaluates itself on an annual basis. The Board of Directors has adopted a written charter for the Audit Committee which is attached as Exhibit A and which is available on our website at www.sjindustries.com under the heading “Investor Relations”.

Compensation/Pension Committee

The Compensation/Pension Committee of the Board of Directors, which met six times during 2005, is comprised of six “independent” directors: W. Cary Edwards, Chairman; Dr. Shirli M. Billings; Helen R. Bosley; Thomas A. Bracken; Sheila Hartnett-Devlin; and Dr. Herman D. James. The Compensation/Pension Committee: (1) is responsible for making grants under and otherwise administering the Company’s Stock-Based Compensation Plan; (2) reviews and makes recommendations to the Board of Directors on the operation, performance and administration of the retirement plans, other employee benefit plans and employment policies; and (3) reviews and makes recommendations to the Board of Directors on forms of compensation, including the performance and levels of compensation of the officers of the Company. The Committee’s charter is available on our website at www.sjindustries.com under the heading “Investor Relations”.

Nominating and Governance Committee

The Nominating and Governance Committee of the Board of Directors, which met five times during 2005, is comprised of five directors: Dr. Shirli M. Billings, Chairman; Keith S. Campbell; Sheila Harnett-Devlin; William J. Hughes and Frederick R. Raring. Each member of the Committee satisfies the independence requirements of the New York Stock Exchange. Among its functions, the Nominating and Governance Committee: (1) maintains a list of prospective candidates for director, including those recommended by shareholders; (2) reviews the qualifications of candidates for director (minimum qualifications for director candidates are provided in the Company’s Corporate Guidelines available on the Company’s web site at www.sjindustries.com under the heading “Investor Relations” and include consideration of education, experience, judgment, diversity and other applicable and relevant skills as determined by an assessment of the needs of the Board at the time an opening exists); (3) makes recommendations to the Board of Directors to fill vacancies and for nominees for election to be voted on by the shareholders; and (4) is responsible for monitoring the implementation of the Company’s Corporate Governance Policy. The Committee’s charter is available on our website at www.sjindustries.com under the heading “Investor Relations”. The Nominating and Governance Committee will consider nominees for the Board of Directors recommended by shareholders and submitted, in compliance with the Company’s bylaws, in writing to the Secretary of the Company. Any shareholder wishing to propose a nominee should submit a recommendation in writing to the Company’s Secretary at 1 South Jersey Plaza, Folsom, New Jersey 08037, indicating the nominee’s qualifications and other relevant biographical information and providing confirmation of the nominee’s consent to serve as a director.

Environmental Committee

The Environmental Committee of the Board of Directors, which met one time during 2005, is comprised of five directors: Frederick R. Raring, Chairman; Charles Bisciegia; Keith S. Campbell; W. Cary Edwards; and Edward J. Graham. The Environmental Committee reviews and evaluates management activities with respect to environmental remediation of the Company's and its subsidiaries' current and former properties.

Executive Committee

The Executive Committee of the Board of Directors, which did not meet during 2005, is comprised of six directors: Edward J. Graham, Chairman; Dr. Shirli M. Billings; W. Cary Edwards; Charles Bisciegia; Dr. Herman D. James and Fredrick R. Raring. The Executive Committee: (1) formulates policies to be followed in planning and conducting the business and affairs of the Company; and (2) may act on behalf of the Board of Directors during intervals between meetings of the Board in managing the business and affairs of the Company.

Management Development Committee

The Management Development Committee of the Board of Directors, which met two times during 2005, is comprised of six directors: Keith S. Campbell, Chairman; Dr. Shirli M. Billings; Edward J. Graham; W. Cary Edwards; Charles Bisciegia; and Dr. Herman D. James. The Management Development Committee: (1) reviews the Company's programs and practices used to develop employees identified for leadership positions in the organization; and (2) evaluates training and educational programs to assure that they reflect current and emerging workplace, industry and general business issues.

Compensation of Directors

In 2005, a study of non-employee director compensation was conducted by outside compensation consultants comparing the Company's director compensation with a relevant peer group. The consultants recommended and the Board approved targeting non-employee director compensation at the median of the peer group. Accordingly, effective September 1, 2005, non-employee directors receive shares of restricted stock with a market value of \$19,000. Non-employee directors are paid an annual cash retainer of \$30,000. The Lead Director is paid an additional annual retainer of \$10,000. Chairmen of certain committees are paid a retainer as follows: Audit, \$5,000; Compensation/Pension, \$4,000; Nominating and Governance, \$4,000. Chairmen of the Environmental and Management Development committees are paid an annual retainer of \$2,000.

In addition, directors receive \$1,000 for each meeting of the Board of the Company or its subsidiaries attended, except that the maximum fee paid to any person for attendance at one or more meetings of these boards held on the same day is \$1,000. Non-employee directors also receive \$500 for each meeting of a committee of the Board of the Company or of a subsidiary that they attend if the meeting is held on the same day as a Board meeting or \$1,000 if the meeting is held on any other day with the exception of Audit Committee members. Audit Committee members are paid \$1,500 per meeting regardless of type of meeting. Non-employee directors who participate telephonically in a Board or committee meeting receive \$500. Directors who are also employees of the Company receive no separate compensation for serving on the Board. The Company has established a plan whereby directors may elect to defer the receipt of fees until a specified date or until retirement from the Board. The deferred amount, together with interest, may be paid in a lump sum or in equal annual installments as the director elects.

Certain Relationships

Mr. Bisciegliia had a consulting agreement with the Company at \$125,000 per year which terminates on January 31, 2006.

Mr. Campbell is Chairman of Mannington Mills, Inc., which purchases natural gas from subsidiaries of the Company. Commencing January 2004, as a result of winning a competitive bid, another subsidiary of the Company owns and operates a cogeneration facility that provides electricity to Mannington Mills, Inc.

Mr. Bracken is President of Sun National Bancorp, Inc., which as a participant in three syndicated bank facilities has agreed to lend the Company and its subsidiary, South Jersey Gas Company, a combined total of \$10 million and has a \$10 million risk participation in a \$10 million letter of credit to the Company. Sun also maintains a bank account for another subsidiary of the Company.

COMPENSATION/PENSION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Compensation/Pension Committee consists of six independent directors. Among other responsibilities, the committee makes recommendations to the Board regarding the Company's executive compensation policies, practices and objectives. The Committee oversees the Company's Annual Cash and Stock-Based Compensation plans.

The current executive compensation structure has been in place since 1998 and applies to all officers of the Company. At that time, a comprehensive study of compensation alternatives was undertaken, a primary objective being the creation of a system which aligns the interest of Company shareholders with the financial incentives of executives on a short-term and long-term basis. That study drew upon the experience and knowledge of committee members in consultation with their independent compensation consultant. In November 2002, an update to the prior studies was completed, to ensure that the structure remained consistent with contemporary compensation methods and tools. The committee's consulting firm presented a detailed update which reexamined the component parts of the executive compensation program as currently applied. Further, the report provided a competitive analysis of how executives' base salary, annual cash and long-term compensation compared to peer companies in the energy industry and the general business community. The committee evaluated and assessed those findings in the context of the Company's performance over the years and the growth predicted going forward. The committee determined that its executive compensation policy and methodology were advancing the Company's Strategic Plan and corporate mission while attracting and retaining qualified executive management to carry out the work and goals of the organization.

In 2005, the committee engaged its consultant to provide a market-based update to its executive compensation schedule, in anticipation of January 2006 compensation adjustments. That update was completed and presented in January 2006. Total annual direct compensation forecasted for 2006 for the executive group, exclusive of the CEO, reported at 76% of the competitive market median. Using the same data sources, the total annual direct compensation forecasted for 2006 for Mr. Graham, the Chief Executive Officer, reported at approximately 69% of the competitive market median.

In 2003, the committee directed the completion of a study to examine the efficacy of the peer group utilized for the long-term incentive component. This report was completed and presented to the committee. The criteria and screening process employed by the consultant was carefully reviewed and discussed. The committee found the process sound and appropriate. A defined procedure and schedule for peer group population and review was adopted and documented in the committee's chart of activities.

The established incentive-based executive compensation structure consists of three parts, two of which are directly linked to achieving predefined short-term and long-term performance goals. These three components were fully implemented with respect to compensation and performance for fiscal year 2000 and each year thereafter. They are as follows:

- n Base Salary - which is set at the 50th percentile of the relevant peer market;
- n Annual Cash Awards - which provides an annual award, 75% of which is directly tied to the Company's earnings per share from continuing operations, with the balance based upon specific, predefined performance objectives for each executive; and
- n Long-Term Incentive - which employs equity-based instruments. Currently, those instruments are in the form of performance-based restricted stock grants, which are earned based upon the Company's relative total shareholder return measured against industry peer companies, over three-year cycles.

In January 2005, long-term incentive grants were provided to executives, including Mr. Graham, in the form of restricted stock. The performance period for this long-term incentive is the three-year period ending December 31, 2007. The committee established at-risk threshold, target and maximum incentive levels based upon total shareholder returns for the period compared to shareholder returns of the predefined peer group. Performance-based restricted stock grants provided in January 2002 vested and were awarded to executives, including Mr. Graham. Since the Company exceeded its long-term incentive goals for the 2005 award, Mr. Graham received restricted stock in the amount of \$247,378. All awards are detailed in the Summary.

In January 2006, annual cash awards with respect to fiscal 2005 were provided to executives, including Mr. Graham, 75% of which were based upon predetermined earnings per share targets from continuing operations for 2005, with the remaining 25% based upon individual performance goals. Since the Company exceeded its 2005 performance goals, Mr. Graham received an annual cash award of \$159,380. Awards are detailed in the Summary Compensation Table.

The committee believes that the Company's performance over the past five years provides tangible evidence that at-risk compensation, both annual and long-term, should continue to represent a significant portion of total executive compensation. Annual incentives promote short-term performance which instills a measure of deserved confidence in the Company's ability to produce consistent results, year after year. The use of a performance-oriented, time-restricted stock-based incentive encourages management to conduct the business of the Company in ways that advance both the market value of its stock and its ability to continue to provide a competitive dividend to shareholders over time. The committee believes alignment of interests is desirable and works to the benefit of Company shareholders.

Section 162(m) of the Internal Revenue Code of 1986 limits the deduction allowable to us for compensation paid to certain of our executive officers to \$1 million. Qualified performance-based compensation is excluded from this limitation if certain requirements are met. Our policy is generally to preserve the federal income tax deductibility of compensation paid, to the extent feasible and necessary. Awards made under the 1997 Stock-Based Compensation Plan to employees are intended to qualify as performance-based compensation and thereby be excluded from the \$1 million limitation. Notwithstanding our policy to preserve the federal income tax deductibility of compensation payments, under certain circumstances the Compensation Committee, in its discretion, may authorize payment, such as salary, bonuses or otherwise, that may cause an executive officer's income to exceed the deductible limits. The Compensation Committee does not anticipate that such compensation will result in the loss of deductibility under Section 162(m).

Compensation/Pension Committee

W. Cary Edwards, Chairman
Dr. Shirli M. Billings
Helen R. Bosley
Thomas A. Bracken
Sheila Hartnett-Devlin
Dr. Herman D. James

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth compensation paid to or earned by each of the Named Executives during the past three fiscal years.

(a)	(b)	(c)	(d)	(e)	(f)	(g)
Name and Principal Position(s)	Year	Base Salary	Cash Bonus	Other Annual Compensation(1)	Restricted Stock Awards(2)	All Other Compensation(3)
Edward J. Graham Chairman, President and Chief Executive Officer and President of South Jersey Gas Company	2005	\$ 425,000	\$ 159,380	\$ 11,214	\$ 487,717	13,696
David A. Kindlick Vice President and Chief Financial Officer; Senior Vice President and Chief Financial Officer of South Jersey Gas Company	2004	375,000	140,630	8,476	225,018	7,130
David A. Kindlick Vice President and Chief Financial Officer; Senior Vice President and Chief Financial Officer of South Jersey Gas Company	2003	300,000	93,750	5,353	165,000	6,990
David A. Kindlick Vice President and Chief Financial Officer; Senior Vice President and Chief Financial Officer of South Jersey Gas Company	2005	218,475	54,690	446	301,232	12,374
David A. Kindlick Vice President and Chief Financial Officer; Senior Vice President and Chief Financial Officer of South Jersey Gas Company	2004	211,360	52,840	310	105,665	7,018
David A. Kindlick Vice President and Chief Financial Officer; Senior Vice President and Chief Financial Officer of South Jersey Gas Company	2003	203,820	50,957	205	101,910	6,648
Albert V. Ruggiero Vice President	2005	218,475	54,690	446	301,232	13,766
Albert V. Ruggiero Vice President	2004	211,360	52,840	310	105,665	7,467
Albert V. Ruggiero Vice President	2003	203,820	50,957	205	101,910	7,858
Richard J. Jackson Vice President; Senior Vice President, Operations of South Jersey Gas Company	2005	187,146	46,850	-	250,642	15,263
Richard J. Jackson Vice President; Senior Vice President, Operations of South Jersey Gas Company	2004	181,050	45,260	-	90,518	7,313
Richard J. Jackson Vice President; Senior Vice President, Operations of South Jersey Gas Company	2003	169,590	42,398	-	84,795	6,800
Richard H. Walker, Jr. Vice President, General Counsel & Secretary; Senior Vice President, General Counsel & Secretary of South Jersey Gas Company	2005	167,541	41,940	-	129,732	15,590
Richard H. Walker, Jr. Vice President, General Counsel & Secretary; Senior Vice President, General Counsel & Secretary of South Jersey Gas Company	2004	162,080	40,520	-	48,640	6,879
Richard H. Walker, Jr. Vice President, General Counsel & Secretary; Senior Vice President, General Counsel & Secretary of South Jersey Gas Company	2003	149,030	36,575	-	43,890	6,676

Footnotes to Summary Compensation Table

(1) The Internal Revenue Code limits the contributions that may be made by or on behalf of an individual under defined contribution plans such as the Company's 401(k) Plan. The Company has adopted a policy of currently reimbursing its executive officers with the amount of Company contributions that may not be made because of this limitation. This includes the tax liability incurred by the additional income. Amounts paid pursuant to this policy are included in column (e) of the table.

(2) The dollar values of restricted shares expressed are based on market price at the time of the grant. Dividends paid on restricted shares are reinvested in additional shares that have the same restrictions and vesting schedule as their respective underlying restricted shares. Restrictions on all shares granted (including shares from reinvested dividends) lapse 38 months from their respective date of grant. All restricted stock grants carry a risk of forfeiture, and the lapse of restrictions on awards for the 2003 and 2004 grants will depend upon the Company's achieving certain performance goals as measured against its peer group.

(3) Includes employer contributions to the Company's 401(k) Plan, the value of a company provided automobile and the income value of group life insurance. The 2005 values for these items are listed below:

	Graham	Kindlick	Ruggiero	Jackson	Walker
401(k) Plan	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000	\$ 7,000
Group Life Insurance	1,259	1,035	1,934	1,625	1,419
Automobile					