

YORK WATER CO  
Form DEF 14A  
March 24, 2006

THE YORK WATER COMPANY  
130 EAST MARKET STREET  
YORK, PENNSYLVANIA 17401

March 31, 2006

***NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO THE SHAREHOLDERS OF THE YORK WATER COMPANY***

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of The York Water Company will be held at The William T. Morris Employee Center, 396 Hess Farm Road, York, Pennsylvania, on Monday, May 1, 2006, at 1:00 P.M. for the purpose of taking action upon the following proposals:

- (1) To elect three (3) Directors to three-year terms of office;
- (2) To appoint independent accountants to audit the financial statements of the Company for the year 2006; and
- (3) To transact such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on March 15, 2006, as the record date for the determination of shareholders entitled to notice of and to vote at the meeting, and at any adjournment or adjournments thereof.

You are cordially invited to attend the meeting. In the event you will be unable to attend, you are respectfully requested to sign, date and return the enclosed proxy at your earliest convenience in the enclosed stamped return envelope. Returning your proxy does not deprive you of the right to attend the meeting and vote your shares in person.

By order of the Board of Directors,

JEFFREY R. HINES  
Secretary

THE YORK WATER COMPANY  
130 EAST MARKET STREET  
YORK, PENNSYLVANIA 17401

March 31, 2006

***PROXY STATEMENT***

This Proxy Statement and the accompanying form of proxy are being furnished to the shareholders of The York Water Company (hereinafter referred to as the "Company") in connection with the solicitation of proxies by the Board of Directors of the Company, whereby shareholders would appoint William T. Morris, P.E., Irvin S. Naylor, and Jeffrey S. Osman, and each of them, as Proxies on behalf of the shareholders, to be used at the Annual Meeting of the Shareholders of the Company to be held at 1:00 p.m. at The William T. Morris Employee Center, 396 Hess Farm Road, York, Pennsylvania, Monday, May 1, 2006 (the "Annual Meeting"), and at any adjournment thereof.

Solicitation of proxies will be made primarily by mail. Proxies may also be solicited personally and by telephone by employees of the Company. The expenses of the solicitation will be borne by the Company. Such expenses may also include ordinary charges and expenses of brokerage houses and other custodians, nominees and other fiduciaries for forwarding documents to shareholders. This Proxy Statement has been mailed to shareholders of the Company on or about March 31, 2006.

A shareholder who completes and forwards the enclosed proxy to the Company's transfer agent, American Stock Transfer & Trust Company, is not precluded from attending the Annual Meeting and voting his or her shares in person, and may revoke the proxy by delivering a later dated proxy or by written notification to the Company or to the transfer agent, at any time before the proxy is exercised.

***PURPOSE OF THE MEETING***

At the Annual Meeting, shareholders of the Company will consider and vote upon two proposals: (i) to elect three (3) Directors to serve for a term of three (3) years; and (ii) to ratify the appointment of Beard Miller Company LLP as independent auditors for the fiscal year ending December 31, 2006. Shareholders may also consider and vote upon such other matters as may properly come before the Annual Meeting or any adjournment thereof.

***VOTING AT THE MEETING***

The outstanding securities of the Company entitled to vote at the meeting consist of 6,933,330 shares of Common Stock. The presence at the Annual Meeting in person or by proxy of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast will constitute a quorum for the Annual Meeting.

The record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting or at any adjournment or adjournments thereof was the close of business on March 15, 2006. Shareholders are entitled to one vote for each share on all matters coming before the meeting, except that shareholders have cumulative voting rights with respect to the election of Directors. Cumulative voting rights permit each shareholder to cast as many votes in the election of each class of Directors to be elected as shall equal the number of such shareholder's shares of Common Stock multiplied by the number of Directors to be elected in such class of Directors, and each shareholder may cast all such votes for a single nominee or distribute such votes among two or more nominees in such class as the shareholder may see fit. Discretionary authority to cumulate votes is not being solicited.

In accordance with Pennsylvania law, a shareholder can withhold authority to vote for all nominees for Directors or can withhold authority to vote for certain nominees for Directors. Directors will be elected by a plurality of the votes cast. Votes that are withheld will be excluded from the vote and will have no effect.

Any votes that are withheld on the proposal to ratify the selection of the independent accountants will have no effect because this proposal requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote.

Brokers who have received no voting instructions from their customers will have discretion to vote with respect to election of directors and the proposal to ratify the Company's auditors.

***VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF***

No person, so far as known to the Company, beneficially owns more than five (5) percent of the Company's outstanding Common Stock as of March 15, 2006.

The following table sets forth certain information regarding the beneficial ownership of our Common Stock as of March 15, 2006, by (1) each director and other director nominee of the Company, (2) each executive officer named in the summary compensation table included elsewhere herein and (3) all executive officers and directors as a group.

The information appearing in the following table with respect to principal occupation and beneficial ownership of Common Stock of the Company has been furnished to the Company by the three nominees, the six directors continuing in office, and the two executive officers as of March 15, 2006.

## NOMINEES FOR ELECTION TO THREE YEAR TERM EXPIRING IN 2009

| Name                   | Age | Principal Occupation During Last Five Years   | Director or Officer Since | Full Shares Owned Beneficially (1) |     | Percent of Total Shares Outstanding (2) |
|------------------------|-----|---|---------------------------|------------------------------------|-----|---|
| George Hay Kain, III   | 57  | Consultant, December, 2004 to date<br>Sole Practitioner, Attorney at Law<br>April, 1982 to December, 2003   | 8/25/1986                 | 27,957                             | (3) | 0.40                                    |
| Michael W. Gang, Esq.* | 55  | Attorney, Post & Schell PC, Counselors at law, October 2005 to date. Post & Schell PC is counsel to the Company Partner/Attorney Morgan, Lewis & Bockius, Counselors at law, October 1984 to October 2005 | 1/22/1996                 | 4,700                              |     | 0.07                                    |
| George W. Hodges       | 55  | Office of the President, The Wolf Organization, Inc., Distributor of Building Products, January, 1986 to date   | 6/26/2000                 | 69,730                             | (4) | 1.01                                    |

## TO CONTINUE FOR TERMS EXPIRING IN 2007

| Name                     | Age | Principal Occupation During Last Five Years   | Director or Officer Since | Full Shares Owned Beneficially (1) |     | Percent of Total Shares Outstanding (2) |
|--------------------------|-----|---|---------------------------|------------------------------------|-----|---|
| William T. Morris, P.E.* | 68  | Chairman of the Board, The York Water Company, November, 2001 to date<br>President and Chief Executive Officer, | 4/19/1978                 | 29,777                             | (5) | 0.43                                    |

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The York Water Company,  
 May, 1995 to  
 December, 2002

|                      |    |  |            |        |     |      |
|----------------------|----|--|------------|--------|-----|------|
| Irvin S. Naylor*     | 70 | Vice Chairman of the Board,<br>The York Water<br>Company, May 2000 to date<br>President/Owner, Snow Time,<br>Inc., Owns and operates Ski<br>Areas, June 1964 to date                   | 10/31/1960 | 55,267 |     | 0.80 |
| Jeffrey S.<br>Osman* | 63 | President and Chief Executive<br>Officer,<br>January, 2003 to date<br>Vice President-Finance and<br>Secretary-<br>Treasurer, The York Water<br>Company,<br>May, 1995 to December, 2002 | 5/1/1995   | 12,243 | (6) | 0.18 |

## TO CONTINUE FOR TERMS EXPIRING IN 2008

| Name  | Age | Principal Occupation During Last Five Years   | Director or Officer Since | Full Shares Owned Beneficially (1) | Percent of Total Shares Outstanding (2) |
|---|-----|---|---------------------------|------------------------------------|---|
| John L. Finlayson*                              | 65  | Vice President-Finance and Administration, Susquehanna Pfaltzgraff Co., Radio Stations, Cable TV, August, 1978 to date  | 9/2/1993                  | 11,146                             | 0.16                                    |
| Chloé R. Eichelberger                           | 71  | Owner/President/Chief Executive Officer Chloé Eichelberger Textiles, Inc., Dyeing and Finishing Fabrics, September, 1987 to date  | 9/15/1995                 | 6,339                              | 0.09                                    |
| Thomas C. Norris                                | 67  | Retired, Chairman of the Board, Glatfelter, Paper Manufacturer, May, 2000 to date   | 6/26/2000                 | 9,691 (7)                          | 0.14                                    |
| EXECUTIVE OFFICERS                              |     |   |                           |                                    |   |
| Jeffrey R. Hines                                | 44  | Vice President-Engineering and Secretary The York Water Company, January 2003 to date<br>Vice President-Engineering, The York Water Company, May, 1995 to December 2002 | 1/1/2003                  | 15,229 (8)                         | 0.22                                    |
| Duane R. Close                                  | 60  | Vice President-Operations, The York Water Company, May, 1995 to date  | 1/1/2003                  | 6,478 (9)                          | 0.09                                    |
| All Directors and Executive Officers as a group |     |   |                           | 248,557 (10)                       | 3.58                                    |

\* Members of the Executive Committee.

(1) Except as indicated in the footnotes below, Directors possessed sole voting power and sole investment power with respect to all shares set forth in this column.

- (2) The percentage for each individual or group is based on shares outstanding as of March 15, 2006.
- (3) Includes 2,584 shares held by the estate of Mr. Kain's wife for which Mr. Kain disclaims beneficial ownership. Also includes 5,320 shares held by Mr. Kain's son for which Mr. Kain disclaims ownership. Also includes 10,039 shares held by the estate of Mr. Kain's grandfather, for which he is one of three co-trustees and shares voting power and investment power.
- (4) Includes shares owned by The Wolf Organization for which Mr. Hodges shares voting and investment power with other members of the Office of the President, The Wolf Organization. Includes 3,000 shares held by Mr. Hodges' wife, for which Mr. Hodges disclaims beneficial ownership.
- (5) Includes shares owned jointly with Mr. Morris' wife, for which he shares voting and investment power.
- (6) Includes shares owned jointly with Karen E. Knuepfer, for which he shares voting and investment power.
- (7) Includes 3,914 shares held by Mr. Norris' wife, for which Mr. Norris disclaims beneficial ownership.
- (8) Includes 12 shares held by Mr. Hines' wife, for which Mr. Hines disclaims beneficial ownership.
- (9) Includes 157 shares held by Mr. Close's wife for which Mr. Close disclaims beneficial ownership.
- (10) Includes shares owned by family members, and certain other shares, as to which some Directors and Officers disclaim any beneficial ownership and which are further disclosed in the notes above.

***ELECTION OF DIRECTORS***

At the Annual Meeting, all the nominees, each of whom is currently serving as Director, are to be elected to serve for the ensuing three (3) years and until their respective successors have been elected and qualified. The bylaws of the Company provide that the Board of Directors will consist of not less than a total of nine Directors, who are elected to staggered three-year terms of office. Each share represented by the enclosed proxy will be voted for each of the nominees listed, unless authority to do so is withheld. If any nominee becomes unavailable for any reason or if a vacancy should occur before the election (which events are not anticipated), the shares represented by the enclosed proxy may be voted as may be determined by the Proxies.

The three Directors are to be elected by a plurality of the votes cast at the Annual Meeting. The Board of Directors unanimously recommends a vote "**FOR**" each of the nominees.

The Board of Directors has determined each of the following directors to be an "independent director" as such term is defined in Marketplace Rule 4200(a)(15) of the National Association of Securities Dealers ("NASD"):

|                       |                       |
|-----------------------|-----------------------|
| John L. Finlayson     | George Hay Kain III   |
| Chloé R. Eichelberger | Michael W. Gang, Esq. |
| Thomas C. Norris      | George W. Hodges      |

***SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE***

The Company believes that during the year ended December 31, 2005, all directors and executive officers complied with all applicable filing requirements of Section 16(a) of the Securities Exchange Act of 1934. The foregoing statement is based solely upon a review of copies of reports furnished to the Company and written representations of its Directors and executive officers that no other reports were required.

***GENERAL INFORMATION ABOUT OTHER BOARDS OF DIRECTORS***

The following members of the Board of Directors of The York Water Company are Board members of other publicly held companies as indicated below:

| Board Members          | Publicly Held Companies Other Than The York Water Company |
|------------------------|---|
| Ms. Chloé Eichelberger | Susquehanna Bancshares, Inc.                              |
| Mr. George W. Hodges   | Fulton Financial Corp.                                    |
| Mr. Thomas C. Norris   | Cadmus Communication                                      |



### ***COMMITTEES AND FUNCTIONS***

The Company has an Executive Committee, an Audit Committee, a Compensation and Nomination Committee, and a Corporate Governance Committee, all of which are composed of members of the Board of Directors.

The Executive Committee held eleven (11) meetings during the fiscal year ended December 31, 2005. The Executive Committee is empowered to function as delegated by the Board of Directors. The Executive Committee is composed of the following Directors appointed by the Board: William T. Morris, P.E., Chairman; Irvin S. Naylor; John L. Finlayson; Michael W. Gang, Esq., and Jeffrey S. Osman.

The Audit Committee held four (4) meetings during 2005. The Audit Committee monitors the audit functions of our independent public accountants and internal controls of the Company. The Audit Committee of the Company is composed of the following independent Directors appointed by the Board: John L. Finlayson, Chairman; Chloé R. Eichelberger; George W. Hodges; and Thomas C. Norris, all of who have been determined to be independent by the Board. The Board of Directors has adopted a written charter for the Audit Committee which it reviews and reassesses on an annual basis.

The Compensation and Nomination Committee held three (3) meetings during the fiscal year ended December 31, 2005. The Compensation and Nomination Committee considers and makes recommendations to the Board of Directors concerning the proposed compensations, salaries and per diems of the corporate officers, Directors and members of the Committees of the Board of Directors of the Company.

The Compensation and Nomination Committee also makes recommendations to the Board of Directors for nominations for Directors and Officers of the Company. This Committee will consider nominees recommended by shareholders of the Company. Such recommendations shall be made in writing, should include a statement of the recommended nominee's qualifications and should be addressed to the Committee at the address of the Company. In accordance with the Company's by-laws, actual nominations must be made in writing and must be received by the Company not less than ninety (90) days before the date of the Annual Meeting.

The Compensation and Nomination Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and shareholders. The Compensation and Nomination Committee requires that the Committee consider and recommend to the Board the appropriate size, function and needs of the Board, so that the Board as a whole collectively possesses a broad range of skills, industry and other knowledge and business and other experience useful to the effective oversight of the Company's business. The Board also seeks members from diverse backgrounds with a reputation for integrity. In addition, Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated and be selected based upon contributions that they can make to the Company. The Committee considers all of these qualities when selecting, subject to Board ratification, candidates for Director. No distinctions are made as between internally-recommended candidates and those recommended by shareholders.

The Compensation and Nomination Committee is composed of the following Directors appointed by the Board: George W. Hodges, Chairman; John L. Finlayson; George Hay Kain III; Thomas C. Norris, and Chloé R. Eichelberger, all of whom have been determined to be independent by the Board. The Board of Directors has adopted a written charter for the Compensation and Nomination Committee which it reviews and reassesses on an annual basis. A copy of the Compensation and Nomination Committee charter was attached to the March 30, 2005 Proxy Statement as Appendix A.