

YORK WATER CO
Form DEF 14A
March 18, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN
PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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

The York Water Company
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.
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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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(1) Amount Previously Paid:

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(3) Filing Party:

Date Filed:

THE YORK WATER COMPANY
130 EAST MARKET STREET
YORK, PENNSYLVANIA 17401
March 22, 2016

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 Strand-Capitol Performing Arts Center, 50 North George Street, York, Pennsylvania 17401, on Monday, May 2, 2016, at 1:00 p.m. local time for the purpose of taking action upon the following proposals:

- (1) To elect two (2) Directors to three-year terms of office;
- (2) To ratify the appointment of Baker Tilly Virchow Krause, LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2016;
- (3) To adopt The York Water Company Long-Term Incentive Plan; and
- (4) To transact such other business as may properly come before the meeting.

The Board of Directors has fixed the close of business on February 29, 2016, 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.

It is important that your shares be represented and voted at the Annual Meeting regardless of the size of your holdings. Whether or not you plan to attend the Annual Meeting, we encourage you to vote your shares in advance of the Annual Meeting by using one of the methods described below:

- By mail – If you received a printed proxy card, mark, sign, date and mail the proxy card (see instructions on the Proxy Materials Notice on how to request a printed proxy card);
- By phone – Call the toll-free telephone number listed on your Proxy Materials Notice or on your proxy card;
- By internet – Visit the website shown on your Proxy Materials Notice or on the proxy card to vote via the Internet; or
- In Person – Shareholders of record may deliver their completed proxy card in person at the Annual Meeting of Shareholders or by completing a ballot available upon request at the meeting. Beneficial shareholders whose shares are held in the name of a bank, broker or other nominee must obtain a legal proxy from the holder of record (that is, your bank, broker or nominee) to be able to vote in person at the Annual Meeting.

If you plan on attending the meeting, a boxed lunch will be provided beginning at 12:00 p.m. Please RSVP to Bonnie at (717)718-2942 or e-mail bonnier@yorkwater.com if you will be joining us for lunch.

Thank you for your continued interest and support of The York Water Company!

By order of the Board of Directors,

/s/ Bruce C. McIntosh
Secretary

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THE YORK WATER COMPANY
130 EAST MARKET STREET
YORK, PENNSYLVANIA 17401
March 22, 2016

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 Robert P. Newcomer, Ernest J. Waters, and Michael W. Gang, Esq. 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 Strand Capitol Performing Arts Center, 50 North George Street, York, Pennsylvania 17401, Monday, May 2, 2016 (the "Annual Meeting"), and at any adjournment thereof.

Solicitation of proxies will be made by mail, telephone and internet. Those shareholders who previously opted out of printed copies of the proxy materials will receive a Notice Regarding the Availability of Proxy Materials (the "Notice") by mail. The Notice will instruct you as to how you may access and review the proxy materials. The Notice also instructs you as to how you may submit your proxy via internet or by telephone. If you previously opted out of printed copies of the proxy materials but would like to receive a printed copy of such materials, or vote by telephone, you should follow the instructions included in the Notice. Those shareholders who have requested printed copies and some of those who have not specifically opted out of printed copies of the proxy materials will be provided printed copies. It is anticipated that proxy materials will first be mailed and made available via internet on March 22, 2016.

The expense of this solicitation will be paid by the Company. If necessary, some of the officers of the Company and regular employees of the Company may solicit proxies personally or by telephone for no additional pay. Banks, brokerage houses and other institutions and fiduciaries will be requested to forward the proxy materials to beneficial owners and to obtain authorization for the execution of proxies.

A shareholder who submits a proxy electronically, by telephone, or completes and forwards the enclosed proxy 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 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 three proposals: (i) to elect two (2) Directors to serve for a term of three (3) years; (ii) to ratify the appointment of Baker Tilly Virchow Krause, LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2016; and (iii) to adopt The York Water Company Long-Term Incentive Plan. 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 12,722,168 shares of our common stock. The presence at the Annual Meeting in person or by proxy of shareholders entitled to cast a majority of the votes that all shareholders are entitled to cast will constitute a quorum for the Annual Meeting. Abstentions and broker non-votes (when accompanied by broker votes) are considered present and entitled to vote for purposes of establishing a quorum.

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 February 29, 2016. Shareholders are entitled to one vote for each share on all matters coming before the meeting.

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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, meaning that the two nominees who receive the most affirmative votes will be elected. Votes that are withheld will be excluded from the vote and will have no effect.

The proposals to ratify the appointment of the independent registered public accounting firm and to adopt The York Water Company Long-Term Incentive Plan each require the affirmative vote of a majority of the votes cast, and any votes that are withheld on such proposals will not be counted for or against the proposal. If a signed proxy is returned with no markings for certain proposals, the votes will be counted as recommended by the Board of Directors.

Brokers who have received no voting instructions from their customers will not have discretion to vote with respect to election of directors or to adopt The York Water Company Long-Term Incentive Plan, but will have the discretion to vote with respect to the proposal to ratify the appointment of the Company's auditors.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of the Company's common stock as of February 29, 2016, by (1) each director, director nominee and executive officer named in the summary compensation table included elsewhere herein; and (2) all executive officers, directors and director nominees as a group.

The information appearing in the following table with respect to beneficial ownership of common stock of the Company has been furnished to the Company by the two nominees, the six directors continuing in office and the six executive officers, all as of February 29, 2016.

The table includes shares owned or beneficially owned by the respective individuals as of February 29, 2016. No individual has a specific right to acquire beneficial ownership of any additional shares within 60 days.

No person or entity, so far as known to the Company, beneficially owns five (5) percent or more of the Company's outstanding common stock as of February 29, 2016.

	Number of Shares Beneficially Owned (1)	Percent of Total Shares Outstanding(2)
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1) Directors, director nominees and named executive officers:

Michael W. Gang, Esq.	10,678	(3) 0.08
Joseph T. Hand	10,586	(4) 0.08
Jeffrey R. Hines, P.E.	57,209	(5) 0.45
George W. Hodges	4,476	(6) 0.03
George Hay Kain, III	24,685	(7) 0.19
Jody L. Keller, SPHR	850	(8) 0.01
Bruce C. McIntosh	6,967	(9) 0.05
Kathleen M. Miller	7,858	0.06
Robert P. Newcomer	4,962	(10)0.04
Steven R. Rasmussen, CPA	789	0.01
John H. Strine	4,094	(11)0.03
Ernest J. Waters	534	0.00

2) All directors, director nominees and executive officers as a group

All Directors and Executive Officers as a group (14 persons)	134,840	(12)1.05
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- Except as indicated in the footnotes below, directors and officers possessed sole voting power and sole
- (1) investment power with respect to all shares set forth in this column. All Directors and Officers can be reached through the executive offices of the Company.
 - (2) The percentage for each individual or group is based on 12,824,132 shares outstanding as of February 29, 2016.
 - (3) Mr. Gang shares voting and investment power on all held shares with his wife.
 - (4) Includes 9,982 shares owned jointly by Mr. Hand's wife for which he shares voting and investment power.
 - (5) Includes 604 shares held by Mr. Hand's children for which Mr. Hand disclaims beneficial ownership.
 - (6) Includes 10,248 shares held by Mr. Hines' wife, for which Mr. Hines disclaims beneficial ownership.
 - (7) Includes 3,560 shares held by the Hodges Family Foundation, for which Mr. Hodges claims indirect beneficial ownership.
 - (8) Includes 15,059 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.
 - (9) Ms. Keller shares voting and investment power on all held shares with her husband.
 - (10) Mr. McIntosh shares voting and investment power on all held shares with his wife.
 - (11) Mr. Newcomer shares voting and investment power on all held shares with his wife.
 - (12) Mr. Strine shares voting and investment power on all held shares with his wife.
 - (12) Includes shares owned by family members, unnamed executive officers and certain other shares, as to which some directors and officers disclaim any beneficial ownership and which are further disclosed in the notes above.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company believes that during the year ended December 31, 2015, all directors and executive officers timely 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 on Forms 3, 4 and 5 furnished to the Company and written representations of its Directors and executive officers that no other reports were required.

PROPOSAL 1 ELECTION OF DIRECTORS

The bylaws of the Company provide that the Board of Directors will consist of no less than eight Directors and no more than twelve directors, segregated into three classes, and elected to staggered three-year terms of office. During the majority of 2015, the Board consisted of nine directors. Each director class consists of two to four directors.

The Nomination and Corporate Governance Committee recommends that the two nominees, who are currently serving as Director, be elected at the Annual Meeting, to serve for the ensuing three (3) years and until their respective successors have been elected and qualified. There were no nominee recommendations from shareholders or from any group of shareholders submitted in accordance with bylaw provisions. 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 two Directors are to be elected by a plurality of the votes cast at the Annual Meeting, meaning that the two directors receiving the most votes are elected, whether or not they receive a majority of the vote.

NOMINEES FOR ELECTION TO THREE YEAR TERMS EXPIRING IN 2019

Jody L.
Keller,
SPHR
Age 62
Director
since 2015

Ms. Keller is the owner of Jody Keller LLC, a human resources management consulting firm, she founded in 2013. Concurrently, Ms. Keller served as the Interim Executive Director of the Strand Capitol Performing Arts Center in York, PA from 2014 – 2015. Prior to her consulting business, Ms. Keller was a Partner and Chief Administrative Officer of ParenteBeard LLC, a national accounting firm providing CPA and business advisory services to small and middle market businesses, non-profits and SEC registrants from 1999 to 2013. Ms. Keller was the owner and President of her own business, Keller Resources, Inc. specializing in human resources, management consulting and training from 1984 to 1999. Additionally, Ms. Keller served as an instructor of human resources management, employment law, and training and development courses at Villanova University and York College from 1992 to 2011. Ms. Keller has held numerous Chairman, President, board member and various committee positions with community and non-profit organizations. The Board believes Ms. Keller's expertise in human resources, organizational development and design, compensation strategy, and leadership development will aid in succession planning efforts, identification of future officers and Board members, add some diversity to the Board, and that her knowledge and leadership in the community will add overall strength to the Board of Directors.

Steven R.
Rasmussen,
CPA
Age 43
Director
since 2011

Mr. Rasmussen has been Chief Executive Officer and General Manager for Adams Electric Cooperative, Inc., an electric distribution cooperative in south-central Pennsylvania, since 2006. Mr. Rasmussen served as Accounting and Member Services Manager with the same organization from 1999 to 2006. Prior to joining Adams Electric, Mr. Rasmussen served in various other capacities including college faculty and auditor for various accounting firms. Mr. Rasmussen serves on the boards and executive committees of the Adams Utility Services Company, a wholly-owned subsidiary of Adams Electric, and Mid-Atlantic Cooperative Solutions, Inc. which does business as Aero Energy in New Oxford, PA (both private companies). He also serves and has served on the boards and committees of numerous community, non-profit and professional organizations as a way of giving back to the communities where he works and lives. In addition to his utility experience and board experience, Mr. Rasmussen is a certified public accountant, and a leader in the communities of some of the Company's recently added water systems. The Board views Mr. Rasmussen's utility experience, his financial and educational background, and his knowledge and visibility in the Adams County area as beneficial to the Company's Board of Directors.

The Board of Directors unanimously recommends a vote "FOR" each of the nominees.

DIRECTORS WITH TERMS EXPIRING IN 2017

Robert P.
Newcomer
Age 67
Director
since 2013

Mr. Newcomer has been President of Newcomer Consulting LLC, providing financial consulting services for public, private and not for profit organizations since 2003. Prior to starting his own business, Mr. Newcomer was with Glatfelter, York, PA, a public company and global manufacturer of specialty paper and engineered products from 1972 – 2003. He was an Executive Vice President for Glatfelter from 1993 – 2001, and President and Chief Operating Officer from 2001 – 2003. Mr. Newcomer also served as Dean of Business Affairs and CFO for York College of Pennsylvania from 2004 – 2006 and Interim President for York County Community Foundation from 2008 – 2009. He currently serves as a director and a member of the strategic review, compensation and employee benefits committees at Burnham Corporation, Lancaster, PA, a public company; and a director and compensation committee member of Glatfelter Insurance Group, York, PA, which is a private company. Mr. Newcomer also participates as an officer, Board or committee member with various community and non-profit organizations. The Board determined that Mr. Newcomer's experience leading a large public company, his financial background, board and committee experience with other organizations, as well as his familiarity with the community in which York Water serves, would continue to benefit the Company's Board of Directors.

Ernest J.
Waters
Age 66
Director
since 2007

Mr. Waters, now retired, served as Area Vice President and York Area Manager, Met-Ed, a FirstEnergy Company (an investor owned utility) from 1998 to 2009. In addition to management, Mr. Waters' experience includes public accounting, internal auditing and serving as an expert accounting witness in rate proceedings before the Pennsylvania Public Utility Commission, The Federal Energy Regulatory Commission, and the New York Public Service Commission. Mr. Waters was formerly a Certified Public Accountant and holds an MBA degree. He serves as a director, chairman of the special joint compliance committee, and a member of the risk and audit committees of Fulton Financial Corporation (a public company), and a director and chairman of the trust committee of Fulton Bank of Lancaster, PA (a subsidiary of Fulton Financial Corporation). Mr. Waters serves on the board of Wellspan Health (a non-profit organization.), chairs the audit committee, and is a member of the executive committee. Mr. Waters is a director and audit committee chairman of Pace Resources, York, PA, which is a private company. Mr. Waters is an NACD Governance Fellow. The Board considered Mr. Waters' prior experience in the utility industry and with regulatory matters and his current public company director and committee experience to be valuable and determined that his continued service on the Board will be beneficial to the Company's Board of Directors.

DIRECTORS WITH TERMS EXPIRING IN 2018

Michael W. Gang, Esq. Age 65 Director since 1996

Mr. Gang is a principal with Post & Schell PC (P & S), Harrisburg, PA, a Pennsylvania-based law firm, concentrating in regulatory matters. Mr. Gang currently serves as Chairperson of the P & S Board of Directors. Mr. Gang was a partner in Morgan, Lewis & Bockius, Harrisburg, PA, an international law firm, from 1984 to 2005. Mr. Gang is counsel to numerous water, gas, and electric utilities which are regulated by the Pennsylvania Public Utility Commission and has represented public utilities over a broad range of complex financial and tax issues in conjunction with economic regulation, financial statements, taxes and financing for 38 years. P & S is currently regulatory counsel for the Company. The Board believes Mr. Gang's legal and regulatory knowledge, as well as his experience with the Pennsylvania Public Utility Commission will continue to be a great benefit to the Company's Board of Directors.

Jeffrey R. Hines, P.E. Age 54 Director since 2008

Mr. Hines has served as the President and Chief Executive Officer of the Company since 2008. He was Chief Operating Officer and Secretary from 2007 to 2008, and Vice President of Engineering from 1995 to 2006. Mr. Hines is a director and a member of the compensation, audit and corporate governance and nominating committees of Codorus Valley Bancorp in York, PA (a public company), and its wholly-owned subsidiary, Peoples Bank, York, PA. Mr. Hines is a director of Peoples Water Service Co. in Towson, MD (a private company). Mr. Hines is a trustee and corporate secretary of York College of Pennsylvania, a director of the National Association of Water Companies and the American Water Works Association, and serves as director or committee member of various community and non-profit organizations. Mr. Hines is a licensed Professional Engineer in PA and MD, and holds MBA and law degrees. The Board considered Mr. Hines' experience within the Company, his industry experience, and his educational background and determined that his continued service on the Board will be beneficial to the Company's Board of Directors.

George W. Hodges Age 65 Director since 2000

Mr. Hodges, now retired, served as non-executive Chairman of the Board of The Wolf Organization, regional distributor of kitchen and bath products and specialty building products, from 2008 to 2009. Prior to being Chairman, Mr. Hodges was a member of the Office of the President of The Wolf Organization from 1986 to 2006. Mr. Hodges is lead director, and a member of the audit, compensation and executive committees of Fulton Financial Corporation (a public company), in Lancaster, PA, and director, trust committee member of Fulton Bank, a subsidiary of Fulton Financial Corporation. He also serves as a director and compensation committee chairman of The Wolf Organization, York, PA. Mr. Hodges is a director, as well as serving on the audit and nominating committees of Burnham Holdings, Lancaster, PA (a public company). Mr. Hodges is an NACD (National Association of Corporate Directors) Governance Fellow. He also serves and has served on the boards or committees of various non-profit and community organizations. The Board determined that Mr. Hodges' business experience and leadership in the community as well as his extensive board and committee service with various organizations will continue to benefit the Company's Board of Directors.

George Hay Kain, III Age 67 Director since 1986

Mr. Kain has been an academic since 2007, and was a consultant from 2004 to 2007. Mr. Kain was an attorney from 1981 to 2003, handling pipeline condemnation cases for a local utility, and cases involving real estate, and estates and trusts. Mr. Kain was a solicitor for York County Children and Youth Services. He also practiced in the local juvenile court, the Pennsylvania Superior Court, and the Pennsylvania Supreme Court. Mr. Kain was admitted to the bar of the Supreme Court of the United States. Mr. Kain is also actively involved in various non-profit organizations. The Board considered Mr. Kain's legal experience as well as his commitment and contributions to the Company over the past 29 years and

determined that his continued service will be beneficial to the Company's Board of Directors.

EXECUTIVE OFFICERS OF THE COMPANY

<u>Name</u>	<u>Positions and Offices Held</u>
Joseph T. Hand Age 53 Officer since 2008	Mr. Hand has been Chief Operating Officer for the Company since March 2008. Prior to his current position, Mr. Hand was Chief of the Navigation Branch, Baltimore District, for the U.S. Army Corps of Engineers from September 2006 to February 2008, and Deputy Commander and Deputy District Engineer for the Corps of Engineers from June 2003 to September 2006. Prior to the Army Corps, Mr. Hand held various positions in the U.S. Army.
Kathleen M. Miller Age 53 Officer since 2003	Ms. Miller has been Chief Financial Officer and Treasurer of the Company since January 2003. Prior to her current position, Ms. Miller was Controller and Assistant Treasurer of the Company from October 2001 to December 2002, and Accounting Manager from March 1996 to September 2001. Prior to joining the Company, Ms. Miller held a variety of accounting and financial positions with two large companies in the York County area.
Vernon L. Bracey Age 54 Officer since 2003	Mr. Bracey has been Vice President of Customer Service of the Company since March 2003. Prior to his current position, Mr. Bracey was Customer Service Manager from January 2000 to February 2003 and Meter Reading Manager from September 1998 to December 1999. Prior to joining the Company, Mr. Bracey held various positions in economic development, energy services and public and community relations at GPU Energy, A First Energy Company, from March 1983 through August 1998.
Bruce C. McIntosh Age 63 Officer since 1998	Mr. McIntosh has been Vice President-Human Resources, Secretary and Assistant Treasurer of the Company since March 2008. Prior to his current position, Mr. McIntosh was Vice President-Human Resources and Assistant Treasurer from January 2003 to February 2008, Vice President-Human Resources from May 1998 to December 2002 and Director of Human Resources from November 1996 to April 1998. Prior to joining the Company, Mr. McIntosh held various human resources positions in the healthcare industry.
Mark S. Snyder, P.E. Age 45 Officer since 2009	Mr. Snyder has been Vice President-Engineering since May 2009. Prior to his current position, Mr. Snyder was Engineering Manager from October 2007 to April 2009 and Engineer from December 2006 to October 2007. Prior to joining the Company, Mr. Snyder was a project engineer with Buchart Horn, Inc., York, PA, an international engineering firm from April 2001 to December 2006, and a project engineer for Rettew Associates, York, PA, a national engineering firm, from December 1996 to April 2001. Mr. Snyder is a licensed Professional Engineer in Pennsylvania.
John H. Strine Age 59 Officer since 2009	Mr. Strine has been Vice President-Operations since May 2009. Prior to his current position, Mr. Strine was Operations Manager from February 2008 to May 2009, Maintenance and Grounds Superintendent from August 1991 to February 2008, Assistant Superintendent from June 1985 to July 1991, and held various other positions with the Company prior to 1985.

CORPORATE GOVERNANCE

The Board of Directors operates under specific corporate governance principles and guidelines based on the Company's Bylaws and Standing Resolutions. The Nomination and Corporate Governance Committee ("the Committee") monitors, develops and makes recommendations to the Board of Directors based on these principles and guidelines. Some of the principles and guidelines are listed below.

Board Selection

The Bylaws of the Company provide that the Board of Directors will consist of no less than eight Directors and no more than twelve directors, who are elected to staggered three-year terms of office. There is a mandatory retirement age of 73 for all directors.

The Committee considers candidates for Board membership suggested by its members and other Board members, as well as management and shareholders. The Committee recommends 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. Some of these skills include crisis management, accounting and finance, corporate governance, merger and acquisition, business development and risk management. The Committee also seeks Board members that will add diversity to the Board in areas such as professional experience, perspectives, education, skills, backgrounds, demographics (including gender, race, national origin, etc.), culture and work-style. 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, have a high degree of integrity, and be selected based upon contributions 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 between internally-recommended candidates and those recommended by shareholders.

Director Independence

The Company's Common Stock is listed on the NASDAQ Global Select Market ("NASDAQ"). NASDAQ listing rules require that a majority of the Company's directors be "independent directors" as defined by NASDAQ corporate governance standards. In compliance with this rule, the Board of Directors examines the independence of its members annually. In order for a director to be considered independent, the Director must not be an executive officer or employee of the Company and the Board must determine that the Director has no relationship, which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Generally but not exclusively, a director does not qualify as an independent director if the Director:

1. Has been employed by the Company or its affiliates in the current year or past three years;

Has accepted, or has an immediate family member who has accepted, any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the three years preceding the
2. determination of independence (except for payment for Board service, retirement plan benefits or non-discretionary compensation, or in the case of an immediate family member compensation as an employee);
3. Has an immediate family member who is, or has been in the past three years, employed by the Company as an executive officer;
4. Has been or has an immediate family member who has been, a partner in, a controlling shareholder or an executive officer of any organization to which the Company made or from which it received, payments (other than those which arise solely from investments in the Company's securities or under non-discretionary charitable contribution matching programs) that exceed five percent of the recipient's consolidated gross revenues for that year, or

\$200,000, whichever is more, in any of the past three fiscal years;

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Has been or has an immediate family member who has been employed as an executive of another entity where any 5. of the Company's executives serve or have served during the past three years on that entity's compensation committee; and

Is or has an immediate family member who is a current partner of the Company's outside auditor, or was a partner or 6. employee of the Company's outside auditor who worked on the Company's audit at any time during any of the past three years.

The Board has determined that directors Gang, Hodges, Kain, Keller, Newcomer, Rasmussen and Waters are independent directors under the NASDAQ listing standards. Mr. Hines, who is an employee of the Company, is not considered an independent director.

The Board based these determinations primarily on a review of the responses of the Directors and executive officers to an annual questionnaire regarding employment history, affiliations, family and other relationships, together with an examination of those companies with whom the Company transacts business. In addition, Directors are required to notify the Board when considering new directorships.

In making the determination that Mr. Gang is independent under the NASDAQ rules, the Board considered 2015 payments of \$54,024 made to Post & Schell PC, a law firm in which Mr. Gang is Chairman of the Board and Principal. Post & Schell PC is the Company's regulatory counsel. The amounts paid represent less than 0.10% of Post & Schell PC revenue in 2015. The Company pays the same rates for services as the firm's other comparable clients. Mr. Gang is not a controlling shareholder of the firm.

In making the determination that Mr. Rasmussen is independent under the NASDAQ rules, the Board considered payments of \$98,473 made to affiliated entities of Adams Electric where Mr. Rasmussen serves as an executive officer. The payments were for electric service, based on rates applicable to all Adams Electric consumers, and for gasoline. The payments made were not material to the affiliated entities.

The Company has a banking relationship with Fulton Bank, where Mr. Hodges and Mr. Waters are members of the Board of Directors. The amounts paid to the entity were not material.

The Company makes payments to The Glatfelter Agency for insurance brokerage services where Mr. Newcomer is a member of the Board of Directors. Amounts paid were not material to the entity.

In addition to these relationships, the Company purchases from and sells services to certain directors or the organizations with which they are affiliated at rates that are either regulated or the same as those charged to the same class of customers.

The Board determined that the noted relationships do not create a conflict of interest or impair any Director's judgment with respect to Board member responsibilities. Directors who are involved with entities being discussed or voted upon at a meeting abstain from voting on that matter.

Board Leadership Structure

The preference of the Board, per its Standing Resolutions, is for the Chairman of the Board to be an independent director as defined by NASDAQ. Generally, independent directors provide oversight and protect shareholder interests, and they offer more objective input and leadership to the Board. The Board believes this structure is in the shareholders' best interest. The Chairman leads regular executive sessions of the Board's independent directors.

Board Role in Risk Oversight

The Board and its Committees are responsible for oversight of the Company's risk management process. The Audit Committee is responsible for oversight of risks relating to the Company's financial statements, financial reporting processes, the evaluation of the effectiveness of internal control over financial reporting and compliance with certain of the Company's ethics policies.

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The Compensation Committee is responsible for monitoring risks associated with the design and administration of the Company's compensation programs and performs the annual performance review of the CEO. Other risks such as regulatory risk, environmental risk, and strategic risk are monitored by the Executive Committee, the Nomination and Corporate Governance Committee, or the full Board.

Senior management of the Company is responsible for identifying risks, managing risks, and reporting and communicating risks and mitigation efforts back to the Board of Directors or the designated committee. While certain elements of risk are addressed at each Board meeting, management and the Board of Directors conduct a comprehensive analysis of risk on an annual basis. The Board believes a Chairman that is independent of management adds another layer of insight to the risk assessment process.

Board Committees and Functions

The Company has an Executive Committee, an Audit Committee, a Compensation Committee, and a Nomination and Corporate Governance Committee, all of which are composed of members of the Board of Directors. The Audit, Compensation, and Nomination and Corporate Governance committees must be composed of at least three directors all of which are considered independent directors under the NASDAQ rules. Each of these three key committees has a charter which is reviewed periodically, and which is posted on the Company's website at www.yorkwater.com under "Investor Relations" then "Corporate Governance".

The Executive Committee is empowered to function as delegated by the Board of Directors. Their main focus is on budgeting, ratemaking, and debt and equity financing. The Executive Committee is composed of the following Directors appointed by the Board: George W. Hodges, Chairman; Michael W. Gang, Esq.; Jeffrey R. Hines, P.E.; Robert P. Newcomer; and Ernest J. Waters. The Executive Committee held two (2) meetings during the fiscal year ended December 31, 2015.

The Audit Committee monitors the audit functions of the independent public accountants, and reviews the Company's financial reporting process and internal controls. The Audit Committee is composed of the following independent Directors appointed by the Board: Steven R. Rasmussen, CPA, Chairperson; Robert P. Newcomer; and Ernest J. Waters. Based on a review of the background and experience of the members of the Audit Committee, the Board of Directors has determined that all members of the Audit Committee are financially literate and are "audit committee financial experts" within the meaning of applicable SEC rules. The Audit Committee held four (4) meetings during the fiscal year ended December 31, 2015.

The Compensation Committee considers and makes recommendations to the Board of Directors concerning the appropriate compensation package for the corporate officers, Directors and members of the Committees of the Board of Directors of the Company, including incentives. Compensation for corporate officers is further explained in the Compensation Discussion and Analysis section of this proxy statement. Director and committee member compensation is based on a review of fees paid by peers and other public companies.

The Compensation Committee is composed of the following independent Directors appointed by the Board: Ernest J. Waters, Chairperson; George Hay Kain III; and Robert P. Newcomer. The Compensation Committee held three (3) meetings during the fiscal year ended December 31, 2015.

The Nomination and Corporate Governance Committee recommends the appropriate Board structure, reviews the Company's succession planning, oversees the Board's annual evaluation of its performance and the performance of other Board Committees, evaluates corporate governance best practices, and makes recommendations to the Board of Directors for nominations for Directors and Officers of the Company. The Committee will consider nominees recommended by shareholders of the Company in accordance with the Company's Bylaws.

The Nomination and Corporate Governance Committee is composed of the following independent Directors appointed by the Board: Michael W. Gang, Esq., Chairperson; Jody L. Keller, SPHR; and Steven R. Rasmussen, CPA. The Nomination and Corporate Governance Committee held three (3) meetings during the fiscal year ended December 31, 2015.

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Related Party Transactions

The Board has adopted a written policy setting forth procedures for the review, approval and monitoring of transactions involving the Company and any related persons (directors, nominees for directors, 5% security holders, and executive officers or their immediate family members). Under the policy (and the Audit Committee Charter), the Audit Committee is responsible for reviewing and approving all transactions involving the Company in which any related person has a direct or indirect interest, regardless of amount. The Audit Committee intends to approve only those related party transactions that are on terms no less favorable to the Company than could be obtained from independent third parties and are otherwise in, or are not inconsistent with, the best interests of the Company and its shareholders.

In furtherance of this policy, the Company's Board of Directors has adopted a Code of Conduct applicable to all Directors, officers and employees, which generally requires that any transaction or opportunity that may constitute a conflict of interest, be reported to management so that it may be reviewed and avoided, if possible. The Code of Conduct is available on the Company's web site at www.yorkwater.com under "Investor Relations", then "Corporate Governance".

Communication with the Board of Directors

Shareholders who wish to communicate with the Board of Directors or specific individual Directors may do so by directing a written request addressed to such Directors or Director in care of the Secretary of The York Water Company, at the address appearing on the first page of this proxy statement. Communication(s) directed to members of the Board of Directors who are not non-management Directors will be relayed to the intended Board member(s) except to the extent that it is deemed unnecessary or inappropriate to do so pursuant to the procedures established by a majority of the independent Directors. Communications directed to non-management Directors will be relayed to the intended Board member(s) except to the extent that doing so would be contrary to the instructions of the non-management Directors. Any communication so withheld will nevertheless be made available to any non-management Director who wishes to review it.

Executive Sessions of the Board

The independent directors of the Board schedule regular executive sessions of independent directors in which they meet without management participation. The Chairman of the Board leads these sessions.

Stock Ownership

Directors are required under the bylaws of the Company to own at least one share of stock. As part of the Company's Securities Trades Policy, directors, officers and selected employees are prohibited from trading in Company securities on a short-term basis, engaging in short sales, purchasing Company stock on margin, buying or selling puts or calls, pledging securities, or otherwise engaging in any type of hedging transactions involving Company securities.

Code of Ethics

The Company's Board of Directors has adopted a Code of Conduct applicable to all Directors, officers and employees. The Code of Conduct constitutes a "code of ethics" as required by Item 406 of Regulation S-K. There were no waivers of the Code made for any Director, officer or employee during 2015. A copy of the Code of Conduct was filed with the Securities and Exchange Commission as Exhibit 14 to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2014. The Code of Conduct is also available, free of charge, on the Company's website, www.yorkwater.com, under "Investor Relations", then "Corporate Governance". The Company intends to disclose material amendments to, or Director, officer and employee waivers from, the Code of Conduct, if any, on its website, or by Form 8-K to the extent required.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee reviews the Company's financial reporting process on behalf of the Board, including reports to the Securities and Exchange Commission on Forms 10-Q and 10-K, the Company's internal control over financial reporting and releases of earnings. In addition, the Committee selects, subject to shareholder ratification, the Company's independent registered public accounting firm and evaluates the performance of the firm.

Management is responsible for the Company's internal controls and the financial reporting process. The independent registered public accounting firm is responsible for performing an integrated audit of the Company's financial statements in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB) (United States) and to issue reports thereon. The Committee's responsibility is to monitor and oversee these processes.

In this context, the Committee has reviewed and discussed the audited financial statements with management; has discussed with the independent registered public accounting firm (Baker Tilly) the matters required to be discussed by Auditing Standards No. 16, as adopted by the Public Company Accounting Oversight Board; has received the written disclosures and the letter required by the PCAOB regarding independence communications; and has discussed Baker Tilly's independence with the firm and management.

Based upon the Committee's discussions with management and Baker Tilly and the Committee's review of the representations of management, and Baker Tilly's report to the Committee, the Committee recommended that the Board include the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the SEC.

Steven R. Rasmussen, CPA
Chairperson
Ernest J. Waters Robert P. Newcomer
Member Member

PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has approved the appointment of Baker Tilly Virchow Krause, LLP ("Baker Tilly"), as the independent registered public accounting firm to audit the financial statements of the Company for the fiscal year ending December 31, 2016. Although we are not required to seek shareholder approval of this appointment, the Board of Directors believes it is in the best interests of shareholders to be given the opportunity to ratify the appointment. If shareholders do not ratify the appointment of Baker Tilly, the Audit Committee will consider the appointment of another independent registered public accounting firm for the Company in future years. It is understood that even if the selection of Baker Tilly is ratified by the shareholders, the Audit Committee, in its discretion, may direct the appointment of a new independent registered public accounting firm at any time during the year if the Audit Committee determines that such a change would be in the best interests of the Company and its shareholders.

Representatives of Baker Tilly are expected to be present at the 2016 Annual Meeting of Shareholders, will have the opportunity to make a statement if they desire to do so, and are expected to be available to respond to appropriate questions.

Change in Accountants

On October 1, 2014 the Company was notified that the audit practice of ParenteBeard LLC ("ParenteBeard"), an independent registered public accounting firm, was combined with Baker Tilly Virchow Krause LLP ("Baker Tilly") in a transaction pursuant to which ParenteBeard combined its operations with Baker Tilly and certain of the professional staff and partners of ParenteBeard joined Baker Tilly either as employees or partners of Baker Tilly. On October 1, 2014, ParenteBeard resigned as the auditors of the Company and with the approval of the Audit Committee of the Company's Board of Directors, Baker Tilly was engaged as its independent registered public accounting firm for the year ended December 31, 2014.

Prior to engaging Baker Tilly, the Company did not consult with Baker Tilly regarding the application of accounting principles to a specific completed or contemplated transaction or regarding the type of audit opinions that might be rendered by Baker Tilly on the Company's financial statements, and Baker Tilly did not provide any written or oral advice that was an important factor considered by the Company in reaching a decision as to any such accounting, auditing or financial reporting issue.

There were no disagreements with ParenteBeard on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures. The audit reports of ParenteBeard rendered through the date of resignation did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

Principal Public Accountant's Fees and Services

Audit fees and all professional services rendered by the Company's former independent registered public accountants, Baker Tilly were approved by the Company's Audit Committee. The Board considers the possible effect on auditors' independence of providing non-audit services prior to the service being rendered.

The following table presents fees for services provided by Baker Tilly for 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Audit Fees (1)	143,865	153,843
Audit Related Fees (2)	-	16,500
Tax Fees (3)	18,850	10,847
All Other Fees	-	-
	162,715	181,190

Professional services rendered for 2015 and 2014 include (a) the audit of the Company's annual financial statements, (b) the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q, (1)(c) the audit of the effectiveness of internal control over financial reporting, and (d) consent procedures in connection with debt offering statements. In addition, 2014 fees include consent procedures in connection with registration statements relating to the Company's stock plans.

(2) Audit related fees include limited scope audits of the Company's 401(k) and general and administrative pension plans in 2014. These services were provided by another independent accounting firm in 2015.

(3) Tax fees include preparation of the federal income tax return and other tax matters.

The Audit Committee approves in advance any audit or non-audit services provided by outside auditors. During 2015 and 2014, there were no exceptions to the Audit Committee's pre-approval requirements.

Adoption of this proposal requires the affirmative vote of a majority of the votes cast by all shareholders entitled to vote at the Annual Meeting.

The Board of Directors unanimously recommends a vote "FOR" this proposal.

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COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Our Named Executive Officers. This section discusses the compensation we paid to our named executive officers (as defined by SEC rules) in 2015. Our named executive officers are:

<u>Name</u>	<u>Title</u>
Jeffrey R. Hines, P.E.	President, Chief Executive Officer
Kathleen M. Miller	Chief Financial Officer
Joseph T. Hand	Chief Operating Officer
Bruce C. McIntosh	Vice President-Human Resources
John H. Strine	Vice President-Operations

COMPENSATION DISCUSSION AND ANALYSIS

General Philosophy. The goal of our compensation program is to attract, motivate and retain our executive officers who are key to the success of our Company. We compensate our named executive officers through a combination of base salary and cash incentives designed to be competitive with comparable employers and to align management's incentives with the long-term interests of our customers and shareholders. Our compensation setting process consists of establishing a base salary for each named executive officer and designing an annual cash incentive (currently up to 5% of salary) for such executive to reward the achievement of specific operational goals. We only incentivize operational goals that add value for both our customers and our shareholders, such as increasing efficiency, ensuring a safe, adequate supply of water, reducing costs, improving customer service and expanding our service territory in order to gain economies of scale and spread fixed costs over a larger number of customers. Payouts for incentives that are not in the long-term interest of customers may not be considered prudent, and therefore, may not be recoverable through water rates granted by the Pennsylvania Public Utility Commission. In 2015, we developed a long-term incentive plan to advance the long-term success of the Company, and to increase shareholder value by providing the incentive of long-term stock-based awards to officers, directors and key employees. The plan is designed to: (1) encourage Company stock ownership by participants to further align their interest with the interests of shareholders of the Company, (2) ensure that compensation practices of the Company are competitive in the industry and (3) assist in the attraction and retention of directors and key employees vital to the Company's success. The plan will become effective on July 1, 2016, provided that it has been approved by our shareholders.

Role of Compensation Committee Consultant. The Compensation Committee engaged Mosteller & Associates, Reading, PA ("the Consultant"), to evaluate the Company's current director and executive compensation relative to the market, and to make recommendations as necessary. The Consultant compared the compensation package of our executives to water utilities in the mid-Atlantic with similar size and scope, general utility companies in the mid-Atlantic with similar size, engineering and utility organizations in PA of similar size, publicly held smaller companies in PA and MD, and other smaller publicly held water utility companies. The Consultant found that base pay for the executive officers was generally between the 25th and 50th percentile, bonus pay was substantially less than the market, the Company had no long-term incentive plans to compare to the market, and the supplemental pension plans were very strong relative to the market. The Consultant recommended a long term equity incentive plan, which is the subject of Proposal 3 to this Proxy Statement. The Compensation Committee has concluded that Mosteller & Associates is an independent consultant after considering the factors relevant to Mosteller & Associates' independence from management, including the factors set forth in the NASDAQ and SEC rules regarding compensation consultant independence.

Base Salary. To assist us in establishing base salary in 2015, the Compensation Committee participated in a survey conducted by Executive Reward Advisors, a nationally recognized consulting firm, to provide data regarding the

compensation of senior management at York and at six comparable water utilities. These comparables included
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Aqua America, Inc., Aquarion Water Company, Middlesex Water Company, Pennichuck Corporation, San Jose Water Company and United Water. Executive Reward Advisors also determined relative measures of the relationship between the size and compensation of the companies included in the survey. Executive Reward Advisors provided no opinions or recommendations regarding our compensation package. Outside of the survey, Executive Reward Advisors provided no other services.

Based upon an analysis of the base salary levels and trend lines developed using regression analysis reflected in the survey, we establish base salaries for our named executive officers. The average base salary of the President and Chief Executive Officer and other Named Executive Officers is approximately the 25th percentile of the seven comparable investor-owned water utilities. We have chosen this level based on our relative revenues, customer connections and employees and due to the relatively low level of complexity of the Company's business and operations as compared to many of the comparable investor-owned water utilities. We are mainly a pure regulated water utility, with a small contract billing operation and a small wastewater operation, while some of the comparables also have a number of wastewater and other more significant non-regulated businesses. We are a stand-alone company with no subsidiaries, parent or holding company. We have one filtration plant and serve a relatively smaller number of customers in one state. Many of the comparables serve in multiple states and have many subsidiaries, and many filtration plants. In addition, there are issues specific to certain parts of the country such as water availability and regulatory environment that challenge some water utilities more than others. Finally, the cost of living in the geographic area in which our operations are located is lower than some of the comparables.

The base salary level of named executive officers will be reviewed annually to determine if the 25th percentile continues to be appropriate based on changes in our statistics relative to comparable companies, our product line, the current regulatory environment, changes in water quality standards, competition for competent management and growth in our service territory, as well as other relevant factors.

In addition to the Executive Reward Advisors survey, the Compensation Committee considered available compensation information on other investor-owned water companies that did not take part in the survey including American Water, California Water, Connecticut Water, American States Water and Artesian Water, as well as local public companies where information was available. The Compensation Committee also considers subjective factors such as the value of the position to the Company, the performance of the executive and the length of service in the current position and with the Company when determining base salary levels.

Bonuses and Equity Compensation. We do not provide bonuses or equity compensation in the form of stock options to senior management. We do, however, offer an Employee Stock Purchase Plan to all employees, including senior management, on the same terms. Employees may purchase stock from the Company on a quarterly basis, at a 5% discount to market. Annual purchases under this plan may not exceed 10% of the employee's regular salary.

Cash Incentives. Our practice is to use cash awards to incentivize our senior managers to create value for our customers and shareholders. To that end, we adopted a Cash Incentive Plan in 2005, pursuant to which our Compensation Committee sets annual performance objectives and target incentive payment amounts. All of our supervisors and managers participate in the plan, including our named executive officers.

The plan is administered by the Compensation Committee, which has complete and final authority to, among other things, select participants, to determine the goals and circumstances under which incentive awards are granted, to grant awards and to construe and interpret the Plan. Decisions of the Compensation Committee with respect to the administration and interpretation of the Plan are final, conclusive and binding upon all participants.

The Compensation Committee has discretion to determine all performance objectives. In addition, the Committee may specify that any incentive award be conditioned upon achievement or satisfaction of business criteria or other measures of performance. One or more of the following business criteria or other measures of performance may be used by the Committee: (1) growth in revenues or assets; (2) earnings from operations; (3) net income or earnings per

common share; (4) return on investment or return on equity; (5) stock price or shareholder return; and (6) strategic business criteria, consisting of meeting specified water quality standards, environmental or safety standards, affordability of rates and customer satisfaction standards. The Compensation Committee may exercise its discretion to eliminate, reduce or increase the amounts payable as incentive, subject to such business criteria or other measures of performance.

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Under the plan, annual performance objectives are established no later than ninety (90) days after the beginning of any annual incentive period, which is usually a calendar year. Each performance objective carries with it a minimum score of five (5) points. Objectives of more significant value or that require more effort, may carry more than five points. No points are awarded for partial achievement of performance objectives. Incentive awards are granted only if an overall score of seventy-five (75) percent of the available performance objective points are achieved. The Compensation Committee believes that achieving performance objectives should be the shared responsibility of management. Accordingly, if an overall score of seventy-five (75) percent of the available performance objective points is achieved, all participants receive their target incentive awards. If an overall score of less than seventy-five (75) percent of the available performance objectives is achieved, no participant receives an award.

The Compensation Committee set the performance objectives and target incentive awards for 2015 on January 26, 2015. For 2015, the Compensation Committee determined that the amount of the target cash incentive award would be 5% of the base salary as of December 31, 2015 for each management employee, including named executive officers. The Committee selected 5% as the target cash incentive award for 2015, and for all of the previous years since the plan's inception in 2005, after considering various factors. One such factor was the range of other benefits already provided by the Company. Another factor was the comparison of the Company's total salary and benefit package to the compensation packages paid by other comparable companies. A third factor was the level of motivation needed to achieve the established goals of the Company. Finally, the Compensation Committee considered how the plan would be perceived by the regulators, customers and shareholders. All of these factors together contributed to the Committee's decision to keep the target incentive relatively low as compared to other companies.

The 2015 performance objectives as determined by the Compensation Committee were, among other things: replace and reline over 42,000 feet of pipe; design, permit and begin construction on a new raw water pumping station and pipeline; review and update potential sources of contamination; conduct needs surveys for portions of the current service territory without public water supply; continue to investigate sources of unaccounted for water; successfully integrate acquisitions into the Company's operations to realize economies of scale; develop an implementation plan for Public Utility Commission audit recommendations; review and test emergency response plans; refinance maturing debt to take advantage of favorable interest rates; apply for a wastewater collection system improvement surcharge in order to fund wastewater infrastructure improvements; and increase paperless billing customers to further reduce billing costs.

On January 25, 2016, the Compensation Committee determined that our management had achieved seventy-six (76) percent of the performance objectives listed above for 2015, as well as the set business criterion for 2015, which was, earnings per common share of \$0.88. The Committee awarded the named executive officers the amounts set forth in the 2015 Grants of Plan Based Awards Table below, which was the target incentive amount for each named executive officer.

On January 25, 2016, the Compensation Committee determined performance objectives and target incentive amounts to be awarded under the plan for 2016. The performance objectives are, among other things: replace and reline over 42,200 feet of pipe; materially complete the construction of a new raw water pumping station and pipeline; complete assessment and evaluation for the third phase of a treatment plant optimization project; complete final filter rebuilds; conduct needs surveys for additional portions of the current service territory without public water supply; successfully integrate acquisitions into the Company's operations to realize economies of scale; update emergency response plans in an on-line repository; and increase paperless billing customers to further reduce billing costs. The target incentive amounts for 2016, as determined by the Compensation Committee, are 5% of named executive officers' base salary as of December 31, 2016 and the business criteria for 2016 is a target level of earnings per common share.

Clawback Policy. In the event of a material misstatement of financial results requiring restatement, the Board, or appropriate committee thereof, will review all incentive compensation paid to senior executives on the basis of having met specific performance targets during the restatement period. If the material misstatement resulted from fraud, negligence or intentional misconduct, the Board or committee will take, in its discretion, such action as it deems

necessary to recover the compensation paid, remedy the misconduct, and prevent its recurrence. The Board will, to the extent permitted by applicable law, to the extent it is reasonable to do so (e.g. the expense of recovering the compensation does not exceed the amount recovered), and to the extent that the amount earned under restated financial results is lower than the amount originally awarded, require reimbursement from the senior executive engaged in the misconduct that caused the need for the restatement. The required reimbursement will be the amount paid in excess

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of the amount earned under restated financial results. In addition, the Board may dismiss the senior executive, authorize legal action, or take such other action to enforce the officer's obligations to the Company as it deems appropriate.

Severance Benefits. Other than Change in Control payments described below, we do not provide severance benefits to employees as part of our compensation program.

Retirement Plans. We provide a traditional defined benefit pension plan covering employees hired before May 1, 2010. Named executive officers are entitled to benefits under the defined benefit pension plan upon retirement after the age of 55 on the same terms as other employees. The pension benefit is based on the years of service multiplied by the sum of \$19.25 and 1.50% of that portion of the final average monthly earnings which are in excess of \$400. The final average monthly earnings are the average of the employee's earnings for the highest consecutive sixty (60) complete months during the last one hundred and twenty (120) complete months immediately prior to the date the pension benefit calculation is made. Normal (full) retirement benefits are payable at age 65, or at age 62 with twenty-five years of service. Employees who terminate their employment prior to the age of 55 may elect to collect reduced benefits upon attaining age 55, or full benefits at age 65. Early retirement benefits are reduced by 5/9 of a percent for each of the first 60 months by which the early retirement date precedes the normal retirement date, and 5/18 of a percent for each month in excess of 60 months by which the early retirement date precedes the normal retirement date.

We also provide a supplemental retirement program, which provides senior management with a retirement benefit after the age of 55 in addition to the defined benefit pension. The supplemental retirement program is designed to encourage senior management to stay with the Company until retirement. Generally, supplemental retirement benefits are made available to senior management and are payable to the executive or his or her beneficiary, after retirement, over 15 years beginning no earlier than age 60. The annual benefit payable under the supplemental retirement program is calculated by multiplying the number of years of eligible service subsequent to the plan commencement date, by a predetermined annual retirement benefit unit, some of which are shown below. The number of years of eligible service for each named executive as of December 31, 2015 is shown in the 2015 Pension Benefits Table.

	Annual Retirement Benefit Unit at Age:		
	<u>55</u>	<u>60</u>	<u>65</u>
Mr. Hines	\$2,458,978	\$1,441	
Ms. Miller	2,330,866	1,394	
Mr. Hand	1,961,961	1,961	
Mr. McIntosh	-	1,667	
Mr. Strine	-	2,778	2,778

The estimated annual benefit payable to Mr. Hines at normal retirement age (65) under the supplemental retirement program is \$53,333. The estimated annual benefit payable to Ms. Miller, Mr. Hand, Mr. McIntosh and Mr. Strine at normal retirement age under the supplemental retirement program is \$33,333. Benefits are paid monthly. Named executive officers who terminate their employment prior to the age of 55 forfeit their supplemental retirement benefits. Named executive officers who terminate their employment between the ages of 55 and normal retirement age are subject to alternate annual retirement benefit units as provided in the plan agreements. If a named executive officer were to die before retirement, his or her beneficiary would receive a death benefit of \$500,000, with the exception of Mr. Hines' beneficiary, who would receive \$800,000. If a named executive officer were to die after retirement but prior to age 60, his or her beneficiary would receive the benefit earned at retirement.

Deferred Compensation. We also provide a deferred compensation program to management. The deferred compensation program permits managers and executives to defer up to 5% of salary over an eight (8) to eleven (11) year period, with the Company matching the deferment up to 2.50% of salary. During 2015, the Compensation Committee approved an Amended and Restated Deferred Compensation Plan ("the Plan") which accelerated the vesting of various portions of the Plan from age 60 to other times based on years of plan participation. The Plan is filed as Exhibit 10-18 to our 2015 Annual Report on Form 10-K. Under the previous plan, participants were vested in their deferral immediately; however, they received no company match, earnings or tax savings until age 60. The Committee determined that the previous vesting timeline was too lengthy and not beneficial to the participants, and

would therefore not achieve our compensation objectives. Under the amended and restated plan, participants immediately vest in their deferral and the earnings thereon; after 10 years in the plan, participants vest in the Company match and the earnings thereon; and after 15 years in the plan, participants vest in the tax savings associated with their deferral, the Company match and the earnings. The tax savings do not represent a gross up of the deferred compensation payout, but rather a pass-through of the tax benefit the Company will realize, when benefits are paid to participants.

Mr. Hines, Ms. Miller, Mr. Hand and Mr. McIntosh are currently deferring salary under the Plan. Matching benefits for 2015 were \$526, \$789, \$2,775 and \$1,281, respectively. Annually, the Company credits participants' deferred compensation balances with tax savings accruing to the Company that will be realized in the form of a death benefit at a later time. Tax savings credited to each participant's account in 2015 amount to \$2,922 for Mr. Hines, \$2,060 for Ms. Miller, \$7,451 for Mr. Hand, and \$2,760 for Mr. McIntosh. Also annually, the Company credits participants' accounts with interest on the existing balance at a rate selected by the Company, currently equal to the December 31 rate of Moody's AAA Corporate Bond Yield. The interest rate amounted to 4.20% for 2015. 2015 credited earnings and future tax savings are shown in the "2015 Nonqualified Deferred Compensation" table. Payouts from this plan on retirement, termination, disability or death are described in detail below in the narrative discussion accompanying the 2015 Nonqualified Deferred Compensation Table. Our deferred compensation program does not provide above-market or preferential earnings.

401(k). Our named executive officers may participate in our 401(k) savings plan on the same terms as other employees. We provide an annual maximum matching contribution of \$2,800 per employee, for participating employees hired before May 1, 2010. All named executives received the maximum matching contribution during 2015. Employees hired after May 1, 2010 are eligible for an enhanced 401(k) plan. None of our named executive officers are benefiting under the enhanced plan.

Change in Control. Our senior management has built York Water into the successful business that it is today. We believe that it is important to protect them in the event of a change of control and to protect the Company from the distractions senior managers often suffer as a result of the uncertainties that frequently surround changes in control. Accordingly, we entered into amended and restated agreements with each of our senior managers that provide for certain payments upon changes of control in consideration of such senior managers agreeing not to compete with us for a period of time following the termination of their employment. Most change in control payments are only paid if the senior manager in question is terminated in connection with a change in control. In certain circumstances, however, payments may be made to senior managers who do not terminate their employment for one year following a change in control. These payments incentivize our senior managers to continue their employment amid the uncertainty that often follows changes in control and thereby promotes stability for the Company during such times. Change in control benefits are paid in lump sum and are based on a multiple of base salary and cash incentive compensation. In the event of a change of control, we also continue health and other insurance benefits for up to one year depending on circumstances. The agreements are valid for an initial term of five years, and renew automatically for one-year periods after the first five years. The agreements terminate upon the employee reaching age 65 or terminating employment with the Company. The Company must provide 90 days' notice to terminate the agreements. These agreements are described in more detail below under the heading "Potential Payments upon Termination or Change in Control."

Perquisites and Other Benefits. The primary perquisite for named executive officers is the use of company vehicles for personal benefit. The most common personal use of company vehicles by senior management is commuting to and from work. No named executive officer receives perquisites valued in the aggregate at \$10,000 or more. Named executive officers also participate in York Water's other benefit plans on the same terms as other employees. These plans include medical and health insurance, life insurance and employee stock purchase plan (ESPP). Under the ESPP, full-time employees with at least 90 days of service are eligible to purchase company stock through payroll deduction, up to 10% of their regular salary, at a 5% discount from fair market value. The Compensation Committee considers the ESPP as a contributing factor to hiring and retaining employees, and as a way of aligning employee interests with

those of shareholders.

Board Process. The Compensation Committee of the Board of Directors approves all compensation and awards to executive officers, which include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and four vice presidents. The Compensation Committee reviews the performance and compensation of the Chief Executive and, following discussions with that individual, and a review of the data provided by Executive

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Reward Advisors and other available data, establishes his compensation level. For the remaining executive officers, the Chief Executive Officer makes recommendations to the Compensation Committee, based on Executive Reward Advisors data and other available data, which are subject to final approval by the committee. With respect to the cash incentive awards, the Compensation Committee grants cash incentives when warranted.

Shareholder Say-on-Pay and Say-on-Frequency Votes. The Company provides its shareholders with the opportunity to cast an advisory vote on executive compensation (a "say-on-pay proposal") every three years. At the Company's annual meeting of shareholders held in May 2014, a substantial majority of the votes cast on the three-year say-on-pay proposal at that meeting were voted in favor of the proposal. The Compensation Committee believes this affirms shareholders' support of the Company's executive compensation program. As a result, the program was changed only slightly in 2015 to accelerate the vesting under the deferred compensation program as previously discussed. The Compensation Committee, with the assistance of a compensation consultant, determined that the executive compensation program could be improved to better align executives with shareholders with the addition of a long term equity-based incentive plan. Shareholders will have the opportunity to vote on this new plan this proxy season. The entire executive compensation package will be voted upon by shareholders again at the 2017 annual meeting. The Compensation Committee will consider the outcome of the Company's say-on-pay vote when making future compensation decisions for the named executive officers.

Shareholders will have an opportunity at least every 6 years to cast an advisory vote on the frequency of say-on-pay proposals. The next advisory vote on the frequency of say-on-pay proposals will occur at the 2017 annual meeting.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management, and based on that review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Ernest J. Waters	George Hay Kain III	Robert P. Newcomer
Chairperson	Member	Member

COMPENSATION RISK ASSESSMENT

The Compensation Committee reviewed the Company's compensation policies and practices for all employees (including non-executive officers) covering base salaries and wages, deferred compensation, incentive plans and change in control agreements in order to assess the inherent risks involved.

Considering all of the elements of the various compensation plans and the fact that the Company has no competing segments or divisions, the Compensation Committee concluded that the Company's compensation policies and practices did not incentivize excessive risk-taking that would have a material adverse effect on the Company.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of our Compensation Committee are named above, and in the "Board Committees and Functions" section of this proxy statement. None of the members of the Compensation Committee is or has ever been an officer or employee of the Company, and during the last fiscal year, none of our executive officers served as a member of the board of directors or the compensation committee of any other entity that has one or more executive officers serving on our Board of Directors or Compensation Committee.

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning compensation paid by the Company to named executive officers or accrued by the Company for the named executive officers in 2015, 2014 and 2013.

Name and Principal Position	Year	Salary	Change in Pension Value & Nonqualified			Total
			Non-Equity Incentive Plan Compensation	Deferred Compensation Earnings (1)	All Other Compensation (2)	
Jeffrey R. Hines, P.E. President, Chief Executive Officer	2015	\$285,885	\$14,425	\$26,004	\$12,954	\$339,268
	2014	282,708	14,000	470,239	10,335	777,282
	2013	269,325	13,595	-	12,783	295,703
Kathleen M. Miller Chief Financial Officer	2015	171,871	8,750	36,194	7,085	223,900
	2014	164,456	8,250	246,554	4,922	424,182
	2013	152,626	7,700	-	5,757	166,083
Joseph T. Hand Chief Operating Officer	2015	171,867	8,750	37,074	16,745	234,436
	2014	163,025	8,250	92,735	15,515	279,525
	2013	147,033	7,500	89,655	15,990	260,178
Bruce C. McIntosh Vice President- Human Resources	2015	123,454	6,220	19,909	9,362	158,945
	2014	122,155	6,040	199,271	5,910	333,376
	2013	116,828	5,875	-	6,647	129,350
John H. Strine Vice President- Operations	2015	122,109	6,153	64,251	7,985	200,498
	2014	120,787	5,973	329,249	7,500	463,509
	2013	114,900	5,808	11,546	8,604	140,858

Amounts presented represent the sum of the change in the actuarial present value of the named executive officer's accumulated benefit under the Company's defined benefit pension plan and the change in the present value of the named executive officer's benefit under the Company's supplemental executive retirement plan. The change in (1) pension value for 2013 was omitted for some of our named executive officers due to an increase in the discount rate causing the changes to be negative. In 2013, Mr. Hines' change in pension value was (\$66,179), Ms. Miller's was (\$15,672), and Mr. McIntosh's was (\$7,042). No above-market or preferential earnings are paid on deferred compensation.

(2) Includes Company contributions to the named executive officer's 401(k) account, credited earnings, tax savings and Company contributions for non-qualified deferred compensation, and personal use of company vehicles. 2013 amounts also include a 5% discount on stock purchased through the Employee Stock Purchase Plan (ESPP). The ESPP was amended in 2014, and the discount is no longer reported as earnings.

2015 GRANTS OF PLAN BASED AWARDS

Non-Equity Incentive Awards. As described in the Compensation Discussion and Analysis under the heading "Cash Incentives," our practice is to award cash incentives based upon the achievement of diverse performance objectives. The performance objectives are established annually by the Compensation Committee, and are designed to recognize and reward the achievement of our goals and the creation of value for our customers and shareholders. The following table sets forth awards granted to our named executive officers in 2015 pursuant to our incentive plan.

<u>Name and Principal Position</u>	Estimated Future Payouts Under Non-Equity Incentive <u>Plan</u> <u>Awards</u> <u>Target</u>
Jeffrey R. Hines, P.E. President, Chief Executive Officer	\$14,425
Kathleen M. Miller Chief Financial Officer	8,750
Joseph T. Hand Chief Operating Officer	8,750
Bruce C. McIntosh Vice President-Human Resources	6,220
John H. Strine Vice President-Operations	6,153

The awards appearing in this table also appear in the Summary Compensation Table.

Awards are subject to the Company's clawback policy.

We did not grant equity incentive plan awards during 2015.

2015 PENSION BENEFITS

The table below sets forth the present value of accumulated benefits payable to each named executive officer, including the number of years of credited service, under the Company's General and Administrative Pension Plan (a defined benefit pension plan) and its Supplemental Executive Retirement Plan. Detailed information on these plans can be found in the Compensation Discussion and Analysis above, under the heading "Retirement Plans."

Name and <u>Principal Position</u>	<u>Plan Name</u>	Years of Credited Service	Present Value of Accumulated Benefit
Jeffrey R. Hines, P.E. President, Chief Executive Officer	General and Administrative Pension Plan	26	\$1,158,916
Jeffrey R. Hines, P.E. President, Chief Executive Officer	Supplemental Executive Retirement Plan	26	456,985
Kathleen M. Miller Chief Financial Officer	General and Administrative Pension Plan	20	557,410
Kathleen M. Miller Chief Financial Officer	Supplemental Executive Retirement Plan	12	186,847
Joseph T. Hand Chief Operating Officer	General and Administrative Pension Plan	8	167,524
Joseph T. Hand Chief Operating Officer	Supplemental Executive Retirement Plan	6	98,877
Bruce C. McIntosh Vice President-Human Resources	General and Administrative Pension Plan	19	494,082
Bruce C. McIntosh Vice President-Human Resources	Supplemental Executive Retirement Plan	17	396,709
John H. Strine Vice President-Operations	General and Administrative Pension Plan	39	1,020,954
John H. Strine Vice President-Operations	Supplemental Executive Retirement Plan	6	177,020

All assumptions made in quantifying the present value of the accumulated benefits under the defined benefit pension plan to the named executive officers are described in Note 6 to the Company's Financial Statements included in our 2015 Annual Report on Form 10-K. The present value of the accumulated supplemental executive retirement benefit is based on retirement at age 60. The present values are based upon a 4.20% discount rate. There were no payments to named executives made under these plans during the last fiscal year. Future payouts under these plans are described in more detail in the Compensation Discussion and Analysis under the heading "Retirement Plans". Employees begin accruing benefits under the Pension Plan when they commence work at the Company, but don't become eligible for

the Supplemental Executive Retirement Plan until they become executives of the Company.

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2015 NONQUALIFIED DEFERRED COMPENSATION

The table set forth below presents contributions, earnings and the balance at year-end, for the accounts of our named executive officers, under our deferred compensation program that is described in more detail in the Compensation Discussion and Analysis under the heading "Deferred Compensation." Company contributions and earnings are reported in the "All Other Compensation" column of the Summary Compensation Table.

<u>Name and Principal Position</u>	<u>Executive Contributions in Last Fiscal Year</u>	<u>Company Contributions in Last Fiscal Year *</u>	<u>Aggregate Balance at Last Fiscal Year-End</u>	
			<u>Earnings in Last Fiscal Year</u>	<u>^</u>
Jeffrey R. Hines, P.E., President, Chief Executive Officer	\$1,052	\$3,448	\$2,698	\$116,963
Kathleen M. Miller, Chief Financial Officer	789	2,849	1,437	62,274
Joseph T. Hand, Chief Operating Officer	5,550	10,226	2,581	111,862
Bruce C. McIntosh, Vice President-Human Resources	1,281	4,042	1,478	64,070
John H. Strine, Vice President-Operations	-	1,653		