

## Code of Ethics

### Code of Conduct

The reputation and integrity of The York Water Company (the “Company”) are valuable assets that are vital to the Company’s success. Each employee and Board member of the Company, including each of the Company’s officers and Board members, is responsible for conducting the Company’s business in a manner that demonstrates a commitment to the highest standards of integrity. No Code of Conduct can replace the thoughtful behavior of an ethical employee or Board member. The purpose of this Code is to focus employees and Board members on areas of ethical risk, provide guidance to help employees and Board members to recognize and deal with ethical issues, provide mechanisms for employees and Board members to report unethical conduct, and foster among employees and Board members a culture of honesty and accountability. Dishonest or unethical conduct or conduct that is illegal will constitute a violation of this Code, regardless of whether such conduct is specifically referenced herein.

The Company’s Board is ultimately responsible for the implementation of the Code of Conduct. At its annual organization meeting, the Board will designate the Secretary to be the compliance officer (the “Compliance Officer”) for the implementation and administration of the Code.

Questions regarding the application or interpretation of the Code of Conduct are inevitable. Employees and Board members should feel free to direct questions to the Compliance Officer. Employees and Board members who observe, learn of, or, in good faith, suspect a violation of the Code, must immediately report the violation to the Compliance Officer, another member of the Company’s senior management, or to the Audit Committee of the Board.

Employees and Board members who report violations or suspected violations in good faith will not be subject to retaliation of any kind. Reported violations will be investigated and addressed promptly and will be treated confidentially to the extent possible. A violation of the Code of Conduct may result in disciplinary action, up to and including termination of employment or Board membership.

Requests for a waiver of a provision of the Code of Conduct must be submitted in writing to the Compliance Officer for appropriate review, and an officer, director or appropriate Board committee will decide the outcome. For conduct involving an executive officer or Board member, only the Board or the Audit Committee of the Board has the authority to waive a provision of the Code. The Audit Committee must review and approve any “related party” transaction as defined in Item 404(a) of Regulation S-K before it is consummated. In the event of an approved waiver involving the conduct of an officer or Board member, appropriate and prompt disclosure must be made to the Company’s shareholders as and to the extent required by listing standards or any other regulation.

Statements in the Code of Conduct to the effect that certain actions may be taken only with “Company approval” will be interpreted to mean that appropriate officers or Board must give prior written approval before the proposed action may be undertaken.

Employees will receive periodic training on the contents and importance of the Code of Conduct and related policies and the manner in which violations must be reported and waivers must be requested. Each officer of the Company and Board member will be asked to certify on an annual basis that he/she is in full compliance with the Code of Conduct and related policy statements.

A. Violations of Law

A variety of laws applies to the Company and its operations, and some carry criminal penalties. These laws include banking regulations, securities laws, environmental protection laws, and state laws relating to duties owed by corporate directors and officers. Examples of criminal violations of the law include: stealing, embezzling, misapplying corporate or bank funds, using threats, physical force or other unauthorized means to collect money; making a payment for an expressed purpose on the Company's behalf to an individual who intends to use it for a different purpose; or making payments, whether corporate or personal, of cash or other items of value that are intended to influence the judgment or actions of political candidates, government officials or businesses in connection with any of the Company's activities. The Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution, and will investigate, address and report, as appropriate, non-criminal violations.

B. Conflicts of Interest

A conflict of interest can occur or appear to occur in a wide variety of situations. Generally speaking, a conflict of interest occurs when an employee's or Board member's personal interest or of an immediate family member's personal interest interferes with, has the potential to interfere with, or appears to interfere with the interests or business of the Company. For example, a conflict of interest could arise that makes it difficult for an employee or Board member to perform corporate duties objectively and effectively where he/she is involved in a competing interest. Another such conflict may occur where an employee or a family member receives a gift,<sup>1</sup> a unique advantage or an improper personal benefit as a result of the employee's

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<sup>1</sup> Acceptance of gifts in the nature of memento, e.g. a conference gift or other inconsequential gift, valued at less than one hundred (\$100) dollars is permitted.

or Board member's position at the Company.

Employees and Board members are prohibited from trading in securities while in possession of material inside information. Among other things, trading while in possession of material inside information can subject the employee or Board member to criminal or civil penalties.

1. Securities Trades by Company Personnel-Statement of Company Policy

(a) The Need for a Policy Statement

Trading on inside, non-public information is illegal. To further deter insider-trading violations, Congress expanded the authority of the SEC and the Justice Department, adopting the Insider Trading and Securities Fraud Enforcement Act. In addition to increasing the penalties for insider trading, the Act puts the onus on companies and possibly other "controlling persons" for violations by company personnel.

Although the Act was aimed primarily at the securities industry, there is increased focus on the application of the new laws to publicly traded companies. The Company is taking active steps to adopt preventive policies and procedures covering securities trades by company personnel.

In addition to responding to the Act, this Policy Statement is formulated to avoid even the appearance of improper conduct on the part of anyone employed by or associated with our company (not just so-called insiders) and to maintain and enhance the Company's reputation for integrity and ethical conduct. We cannot afford to have it damaged.

(b) The Consequences

The consequences of insider trading violations can be staggering:

For individuals who trade on inside information (or tip information to others):

- A civil penalty of up to three times the profit gained or loss avoided;
- A criminal fine (no matter how small the profit) of up to \$1 million;
- and
- A jail term of up to ten years.

For a company (as well as possibly any supervisory person) that fails to take appropriate steps to prevent illegal trading:

- A civil penalty of the greater of \$1 million or three times the profit gained or loss avoided as a result of the employee's violation; and
- A criminal penalty of up to \$2.5 million.

Moreover, if an employee violates the Company's insider trading policy, company imposed sanctions, including dismissal for cause, could result from failing to comply with the Company's policy or procedures. Any of the above consequences, even an SEC investigation that does not result in prosecution, can tarnish both the Company's and an individual's reputation and irreparably damage a career.

(c) Our Policy

If a director, officer or any employee has material non-public information relating to the Company, it is our policy that neither that person nor any related person may buy or sell securities of the Company or engage in any other action to take advantage of, or pass on to others, that information. This policy also applies to information relating to any other company, including our customers or suppliers, obtained in the course of employment.

Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct.

Material Information. Material information is any information that a reasonable investor would consider important in a decision to buy, hold or sell stock. In short, any information which could reasonably affect the price of the stock.

Examples. Common examples of information that will frequently be regarded as material are: projections of future earnings or losses, news of a pending or proposed merger, acquisition or tender offer; news of a significant sale of assets; changes in dividend policies or the declaration of a stock split or the offering of additional securities; changes in management; significant new products or discoveries; impending bankruptcy or financial liquidity problems; the gain or loss of a substantial customer or supplier; and pending rate filing or PUC rate orders. Either positive or negative information may be material (the above examples should not be considered a limited list).

Twenty-Twenty Hindsight. When securities transactions become the subject to scrutiny, they will be viewed after-the-fact with the benefit of hindsight. Any transaction should be carefully considered prior to the transaction.

Transactions by Family Members. The very same restrictions apply to your family members and others living in the employee's household. Board members and employees are expected to be responsible for the compliance of their immediate family and personal household.

Tipping Information to Others. Whether the information is proprietary information about the Company or information that could have an impact on the Company's stock price, Board members and employees must not pass the information on to others. The above penalties apply, whether or not the employee derives any benefit from another's actions.

When Information Is Public. It is also improper for an officer, director or employee to enter a trade immediately after the Company has made a public announcement of material information, including earnings releases. Because the Company's shareholders and the investing public should be afforded the time to receive the information and act upon it, as a general rule you should not engage in any transactions until the third business day after the information has been released. [Thus, if an announcement were made on a Monday, Thursday generally would be the first day on which a trade is permissible. If an announcement were made on a Friday, Wednesday generally would be the first day.]

(d) Additional Prohibited Transactions

Because the Company believes it is improper and inappropriate for any Company personnel to engage in short-term or speculative transactions involving Company stock, it is the Company's policy that directors, officers and employees should not engage in any of the following activities with respect to securities of the company:

- Trading in securities on a short-term basis. Any Company stock purchased in the open market must be held for a minimum of six months and ideally longer. (Note that the SEC's short-swing profit rule already prevents officers and directors from selling any Company stock within six months of a purchase. We are simply expanding this rule to

all employees. However, the rule does not apply to stock option exercises, except to the extent required for officers and directors).

- Purchases of Company stock on margin.
- Short sales.
- Buying or selling puts or calls.

(e) Company Assistance

Any person who has any questions about specific transactions may obtain additional guidance from the President, Chief Financial Officer, or the Assistant Secretary, at the Front Office. More general questions about this Policy Statement should be directed to Company counsel. Remember, however, the ultimate responsibility for adhering to the Policy Statement and avoiding improper transactions rests with the employee or Board member. In this regard, it is imperative that you use your best judgment.

(f) Pre-Clearance of All Trades by Directors, Officers and Other Key (e.g., Financial, Legal, etc.) Personnel

To provide assistance in preventing inadvertent violations and avoiding even the appearance of an improper transaction (which could result, for example, where an officer or Director engages in a trade while unaware of a pending major development), the Company is implementing the following procedure:

All transactions in company stock (acquisitions, dispositions, transfers, etc.) by directors, officers, managers and supervisors must be cleared in advance by the President, Chief Financial Officer or the Assistant Secretary.

(g) Certifications

Employees will be required to certify their understanding of and intent

to comply with this Policy Statement. Officers and directors and other key employees will be required to certify compliance on an annual basis.

#### Outside Activities/Employment

Any outside activity, including employment, should not significantly encroach on the time and attention employees devote to their corporate duties, should not adversely affect the quality or quantity of their work, and should not make use of corporate equipment, facilities, or supplies, or imply (without the Company's approval), the Company's sponsorship or support. In addition, under no circumstances are employees permitted to compete with the Company, or take for themselves or their family members business opportunities that belong to the Company that are discovered or made available by virtue of their positions at the Company. Employees are prohibited from taking part in any outside employment without the Company's prior approval.

#### Civic/Political Activities

Employees are encouraged to participate in civic, charitable or political activities so long as such participation does not encroach on the time and attention they are expected to devote to their company-related duties. Such activities are to be conducted in a manner that does not involve the Company or its assets or facilities, and does not create an appearance of Company involvement or endorsement.

#### Loans to Employees

The Company will not make loans or extend credit guarantees to or for the personal benefit of officers. Loans or guarantees may be extended to other employees within guidelines established by the Board.

C. Fair Dealing

Each employee should deal fairly and in good faith with the Company's customers, suppliers, regulators, business partners, and others. No employee may take unfair advantage of anyone through manipulation, misrepresentation, inappropriate threats, fraud, abuse of confidential information, or other related conduct.

D. Proper Use of Company Assets

Company assets, such as information, materials, supplies, time, intellectual property, facilities, software, and other assets owned or leased by the Company, or that are otherwise in the Company's possession, may be used only for legitimate business purposes. The personal use of Company assets, without Company approval, is prohibited.

E. Delegation of Authority

Each employee, and particularly each of the Company's officers, must exercise due care to ensure that any delegation of authority is reasonable and appropriate in scope, and includes appropriate and continuous monitoring. No authority may be delegated to employees who the Company has reason to believe, through the exercise of reasonable due diligence, may engage in illegal activities.

F. Handling Confidential Information

Employees and Board members should observe the confidentiality of information that they acquire by virtue of their positions at the Company, including information concerning customers, suppliers, competitors, and other employees, except where disclosure is approved by the Company or otherwise legally mandated. Of special sensitivity is financial information, which should under all circumstances be considered confidential except where its disclosure is approved by the Company, or when it has been

publicly available in a periodic or special report for at least two business days.

G. Handling of Financial Information

Federal law requires the Company to set forth guidelines pursuant to which the principal executive officer (President) and senior financial employees (Chief Financial Officer) perform their duties. Employees subject to this requirement include the principal executive officer, the principal financial officer, controller or principal accounting officer, and any person who performs a similar function. However, the Company expects that all employees who participate in the preparation of any part of the Company's financial statements follow these guidelines:

1. Act with honesty and integrity, avoiding violations of the code, including actual or apparent conflicts of interest with the Company in personal and professional relationships.
2. Disclose to the Compliance Officer any material transaction or relationship that reasonably could be expected to give rise to any violations of the code, including actual or apparent conflicts of interest with the Company.
3. Provide the Company's other employees, consultants, and advisors with information that is accurate, complete, objective, relevant, timely, and understandable.
4. Endeavor to ensure full, fair, timely, accurate, and understandable disclosure in the Company's periodic reports.
5. Comply with rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies.
6. Act in good faith, responsibly, and with due care, competence and diligence,

without misrepresenting material facts or allowing your independent judgment to be subordinated.

7. Respect the confidentiality of information acquired in the course of the Company's business except where disclosure is otherwise legally mandated. Confidential information acquired in the course of your work will not be used for personal advantage.
8. Share and maintain skills important and relevant to the Company's needs.
9. Proactively promote ethical behavior among peers in your work environment.
10. Achieve responsible use of and control over all assets and resources employed or entrusted to you.
11. Record or participate in the recording of entries in the Company's books and records that are accurate to the best of your knowledge.

The foregoing is set forth as guidelines for the principal executive officer and financial employees, but are, in fact, statements of mandatory conduct for all employees. It is also important to note that Federal law requires that any waiver of, or amendment to the requirements in this Section VII will be subject to public disclosure.