As filed with the Securities and Exchange Commission on August 3, 2000.
Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

REGISTRATION STATEMENT
ON FORM S-3
Under
THE SECURITIES ACT OF 1933

PHILADELPHIA SUBURBAN CORPORATION
(Exact name of registrant as specified in its charter)

| Pennsylvania | 23-1702594 |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489
(610) 527-8000
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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ROY H. STAHL
Philadelphia Suburban Corporation
Executive Vice President and General Counsel
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489
(610) 527-8000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

| | |
|---|---|
| Stephen A. Jannetta | David P. Falck |
| Morgan, Lewis & Bockius LLP | Winthrop, Stimson, Putnam & Roberts |
| 1701 Market Street | One Battery Park Plaza |
| Philadelphia, PA 19103-2921 | New York, NY 10004 |
| (215) 963-5000 | (212) 858-1000 |

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

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

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 (the "Securities Act"), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. / /

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

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

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

CALCULATION OF REGISTRATION FEE

| Title of Shares To Be Registered | Amount To Be Registered (1) | Proposed Maximum Offering Price Per Share (2) | Proposed Maximum Aggregate Offering Price (2) | Amount of Registration Fee |
|---|---|---|---|---|
| Common Stock, $.50 par value | 1,150,000 | $ 22.10 | $ 25,415,000 | $ 6,709.56 |

(1) Includes 150,000 shares subject to an over-allotment option granted to the underwriters.
(2) Estimated solely for the purpose of calculating the registration fee in accordance with paragraph (c) of Rule 457 on the basis of the average of the high and low sale prices for the Common Stock on August 1, 2000, as reported on the New York Stock Exchange.

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

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

SUBJECT TO COMPLETION, DATED AUGUST 3, 2000

1,000,000 Shares

# Philadelphia Suburban Corporation

Common Stock

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We are selling 1,000,000 shares of our common stock. Our common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange under the symbol "PSC." The last reported sale price of our common stock on the New York Stock Exchange on August 1, 2000 was $22.1875 per share.

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| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discount | $ | $ |
| Proceeds, before expenses, to Philadelphia Suburban Corporation | $ | $ |

The underwriters named in this prospectus may purchase up to an additional 150,000 shares of common stock from us under certain circumstances. The underwriters expect to deliver the shares to purchasers on or about , 2000.

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

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A.G. Edwards & Sons, Inc.

PaineWebber Incorporated

Prospectus dated , 2000

[INSIDE FRONT COVER]

[TERRITORY MAP - A graphic depicting the northeast quarter of the United States, with the five states in which we have operations shown in a different shade than the other states. The locations of our service territories in these five states are represented by dots on the map and our corporate headquarters and primary service territory is represented by a star. There are circles around the dots closest to Chicago, Cleveland/Youngstown, and Philadelphia, where most of our operations are concentrated. There is an arrow pointing from the star to an enlarged map of the area around the City of Philadelphia showing the location of Philadelphia Suburban Water Company's service territory. In the lower right hand quarter of the page is a table setting forth the number of our customers in each of the five states as of March 31, 2000, as set forth below. In the middle of the page is a legend explaining that the star indicates the location of our corporate headquarters and the Philadelphia Suburban Water Company service territory and that the dots represent the Consumers Water Company service territories. At the bottom of the page is a legend explaining that the shaded area in the enlarged map around the City of Philadelphia indicates the Philadelphia Suburban Water Company service territory.]

Customers by State as of 3/31/00

| | |
|---|---|
| Pennsylvania | 368,072 |
| Ohio | 78,703 |
| Illinois | 62,463 |
| New Jersey | 33,817 |
| Maine | 16,828 |
| Total | 559,883 |

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You should rely only on the information contained in or incorporated by reference in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. Our

website is located at www.suburbanwater.com. Information on this website, however, is not part of this prospectus. We are not, and the underwriters are not, making an offer to sell these securities in any state where the offer or sale is not permitted. You should not assume that the information provided in this prospectus or incorporated by reference in this prospectus is accurate as of any date other than the date on the front of this prospectus or the date of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

## PROSPECTUS SUMMARY

This summary highlights material information contained elsewhere in this prospectus. Before making an investment decision, you should read this entire prospectus as well as the documents incorporated by reference. Unless otherwise indicated, the information in this prospectus assumes that the underwriters' over-allotment option is not exercised. Unless the context otherwise requires, references in this prospectus to "we," "us" and "our" refer to Philadelphia Suburban Corporation and its direct and indirect subsidiaries. In addition, references to Philadelphia Suburban Water refer to our subsidiary, Philadelphia Suburban Water Company, and its subsidiaries, and references to Consumers Water refer to our subsidiary, Consumers Water Company, and its subsidiaries.

### Philadelphia Suburban Corporation

| | |
|---|---|
| Our business | A holding company for regulated utilities providing water or wastewater services. Among the largest investor-owned water utilities in the U.S. based on the number of customers. |
| Our service territory | Parts of Pennsylvania, Ohio, Illinois, New Jersey and Maine. |
| Population of our service territory | Approximately 2.0 million. |
| Philadelphia Suburban Water | One of our subsidiaries and a regulated public utility providing water or wastewater services to about 1.1 million residents in the suburban areas west and north of the City of Philadelphia. |
| Consumers Water | One of our subsidiaries and a holding company for several regulated public utilities providing water or wastewater services to about 850,000 residents in various communities in Pennsylvania, Ohio, Illinois, New Jersey and Maine. |
| Customers as of March 31, 2000 | Approximately 560,000 (including approximately 8,800 customers associated with operating and maintenance contracts). |



| | |
|---|---|
| Our address and telephone number | Philadelphia Suburban Corporation<br>762 W. Lancaster Avenue<br>Bryn Mawr, Pennsylvania 19010-3489<br>610-527-8000 |

### The Offering

| | |
|---|---|
| Common stock offered (1) | 1,000,000 shares. |

| | |
|---|---|
| Common stock to be outstanding after this offering (2) | 41,927,257 shares. |
| Current indicated annual dividend rate | $.72 per share. Effective with the $.19375 per share dividend payable December 1, 2000 to holders of record on November 15, 2000, the indicated annual dividend rate will be $.775 per share. |
| Cash dividends paid since | 1944 |
| Listing | New York Stock Exchange and Philadelphia Stock Exchange (Symbol: PSC). |
| Use of proceeds | The net proceeds of this offering will be used to reduce Philadelphia Suburban Water's short-term debt. See "Use of Proceeds." |

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(1) Purchasers of offered shares will also receive preferred stock purchase rights. See "Description of Capital Stock - Common Stock - Shareholder Rights Plan."

(2) The outstanding share information is based upon the shares of common stock outstanding as of March 31, 2000. This information excludes options to purchase 1,595,737 shares of common stock outstanding as of March 31, 2000 under our stock option plans. In addition, on August 1, 2000, our board of directors approved a 25% common stock dividend payable on December 1, 2000 to holders of record on November 15, 2000. The share and per share data contained in this prospectus have not been restated to give effect to this stock dividend.



## Summary Consolidated Financial Data
(in thousands, except per share and operating data)

The following table sets forth certain summary consolidated financial data derived from our audited consolidated financial statements for the years ended December 31, 1999, 1998 and 1997 and from our unaudited interim consolidated financial statements for the three months ended March 31, 2000 and 1999. The unaudited interim financial statements include, in the opinion of our management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for the interim periods presented. Interim results are not necessarily indicative of the results that may be expected for any other interim period or for a full year.

On March 10, 1999, we completed a merger with Consumers Water. The merger has been accounted for as a pooling-of-interests. Accordingly, our historical consolidated financial statements and notes thereto included in the documents that we incorporate by reference in this prospectus, and from which certain of the financial data presented below has been derived, were restated to include the accounts and results of Consumers Water as if the merger had been completed as of the beginning of the earliest period presented. You should read this summary consolidated financial data together with our historical consolidated financial statements and the notes thereto in the documents that we incorporate by reference in this prospectus.

| | Three Months Ended March 31, | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| | 2000 | 1999 | 1999 | 1998 | 1997 |
| | (unaudited) | | | | |
| Income Statement Data: | | | | | |
| Operating revenues | $ 64,510 | $ 58,597 | $ 257,326 | $ 250,771 | $ 235,852 |
| Operating income | 25,079 | 18,658 (1) | 101,045 (1) | 99,238 | 89,959 |
| Income from continuing | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| operations, exclusive of certain non-recurring items (4) | 10,246 | 8,912 (2) | 44,871 (2) | 40,917 (3) | 35,015 |
| Net income (loss) available to common stock: | | | | | |
| Continuing operations (4) | $ 10,246 | $ 316 (5) | $ 36,275 (5) | $ 44,820 (6) | $ 35,015 |
| Discontinued operations | -- | -- | -- | -- | (2,737) |
| Total | $ 10,246 | $ 316 (5) | $ 36,275 (5) | $ 44,820 (6) | $ 32,278 |
| Per Common Share Data: (7) | | | | | |
| Diluted income per share: | | | | | |
| Income from continuing operations, exclusive of certain non-recurring items | $ 0.25 | $ 0.22 (2) | $ 1.09 (2) | $ 1.00 (3) | $ 0.90 |
| Income from continuing operations | 0.25 | 0.01 (5) | 0.88 (5) | 1.10 (6) | 0.90 |
| Net income | 0.25 | 0.01 (5) | 0.88 (5) | 1.10 (6) | 0.83 |
| Cash dividends paid per common share (8) | 0.18 | 0.17 | 0.70 | 0.67 | 0.62 |
| Book value per share of common stock | 8.92 | 8.44 | 8.89 | 8.53 | 7.70 |
| Average common shares outstanding (diluted) | 41,256 | 41,285 | 41,305 | 40,854 | 39,018 |



| | March 31, | | December 31, | | |
|---|---|---|---|---|---|
| | 2000 | 1999 | 1999 | 1998 | 1997 |
| | (unaudited) | | | | |
| Balance Sheet Data: | | | | | |
| Total assets | $1,290,106 | $1,157,276 | $1,280,805 | $ 1,156,733 | $ 1,083,162 |
| Property, plant & equipment, net | 1,146,822 | 1,026,324 | 1,135,364 | 1,016,194 | 952,626 |
| Capitalization: | | | | | |
| Long-term debt, including current portion | $ 442,210 | $ 389,434 | $ 425,946 | $ 377,355 | $ 407,526 |
| Preferred stock with mandatory redemption, including current portion | - | - | - | - | 4,214 |
| Stockholders' equity | 369,238 | 348,448 | 368,901 | 353,088 | 306,816 |
| Total capitalization | $ 811,448 | $ 737,882 | $ 794,847 | $ 730,443 | $ 718,556 |
| Operating Data: | | | | | |
| Number of metered customers | 551,096 | 527,857 | 548,937 | 525,959 | 519,160 |

| | March 31, 2000 | | | |
|---|---|---|---|---|
| | Actual | | As Adjusted (9) | |
| | Amount | Percent | Amount | Percent |
| | (unaudited) | | (unaudited) | |
| Capitalization: | | | | |
| Long-term debt (10) | $ 442,210 | 54.5% | $ 471,570 | 54.7% |
| Preferred stock | 1,760 | 0.2% | 1,760 | 0.2% |
| Common stockholders' equity | 367,478 | 45.3% | 388,494 | 45.1% |
| Total capitalization (10) | $ 811,448 | 100.0% | $ 861,824 | 100.0% |
| Short-term debt: | | | | |
| Revolving credit debt of Philadelphia Suburban Water | $ 50,000 | | $ 28,984 | |
| Loans payable to banks under short-term lines of credit | 52,741 | | 24,229 | |
| Total short-term debt | $ 102,741 | | $ 53,213 | |

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(1) Includes a charge for restructuring costs in connection with the Consumers Water merger of $3,787.

(2) Non-recurring items represent a charge of $6,334 ($6,134 after-tax or $0.15 per share) for the Consumers Water merger transaction costs and a charge for related restructuring costs of $3,787 ($2,462 after-tax or $0.06 per share).

(3) Non-recurring item represents a gain of $6,680 ($3,903 after-tax or $0.10 per share) on the sale of Consumers Water's New Hampshire operations pursuant to the state's condemnation statute.

(4) After provision for dividends on our preferred stock.

(5) Results include the net charges described in footnote (2) above.

(6) Results include the net gain described in footnote (3) above.
(7) The share and per share data contained in this table have not been restated to give effect to the 25% common stock dividend payable on December 1, 2000.
(8) Represents our historical dividends paid per common share. At our August 1, 2000 board meeting, our board of directors approved an increase in our quarterly cash dividend from $0.18 per share to $.19375 per share effective with our December 1, 2000 payment.
(9) Adjusted to reflect:
(i) the estimated net proceeds from the sale of 1,000,000 shares of common stock to be issued in this offering and the application of these net proceeds to repay the short-term debt of Philadelphia Suburban Water; and
(ii) the private placements in April 2000 of $11,000 of First Mortgage Bonds of Philadelphia Suburban Water and in June 2000 of $18,360 of First Mortgage Bonds of one of Consumers Water's Pennsylvania operating subsidiaries and the application of the net proceeds from these placements to repay portions of our short-term lines of credit. See "Use of Proceeds."
(10) Includes current portion of long-term debt of $12,978.



## FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus, or incorporated by reference in this prospectus, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 made based upon, among other things, our current assumptions, expectations and beliefs concerning future developments and their potential effect on us. These forward-looking statements involve risks, uncertainties and other factors, many of which are outside our control, that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. In some cases you can identify forward-looking statements where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans" or similar expressions. Forward-looking statements in this prospectus, or incorporated by reference in this prospectus, include, but are not limited to, statements regarding:

- projected capital expenditures and related funding requirements;
- developments and trends in the water and wastewater utility industries;
- opportunities for future acquisitions;
- the development of new services and technologies by us or our competitors;
- the availability of qualified personnel;
- general economic conditions; and
- merger-related costs and synergies.

Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including but not limited to:

- changes in general economic, business and financial market conditions;
- changes in government regulations, including environmental regulations;
- abnormal weather conditions;
- changes in capital requirements;
- our ability to integrate businesses, technologies or services which we may acquire;

- our ability to manage the expansion of our business;
- the extent to which we are able to develop and market new and improved services;
- the effect of the loss of major customers;
- our ability to retain the services of key personnel and to hire qualified personnel as we expand;
- unanticipated capital requirements; and
- cost overruns relating to improvements or the expansion of our operations.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this prospectus and the documents that we incorporate by reference in this prospectus completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. Except for our ongoing obligations to disclose material information under the federal securities laws, we are not obligated to update these forward-looking statements, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements.

## THE WATER AND WASTEWATER UTILITY INDUSTRIES

With more than 50,000 community water systems in the U.S. (85% of which serve less than 3,300 customers), the water industry is the most fragmented of



the major utility industries (telephone, natural gas, electric and water). The nation's water systems range in size from large municipally-owned systems, like the New York City water system that serves about 9 million people, to small systems, where a few customers share a common well. In the states where we operate, we believe there are over 6,400 public water systems of widely varying size.

The water industry is the most capital intensive of the utilities, with more capital invested per dollar of revenue than any other utility. Customers and regulators expect companies in the water industry, both municipally-owned and investor-owned, to provide reliable water service at affordable prices while meeting stringent federal and state water quality standards. Continued capital investment is necessary to (1) repair and replace aging water distribution infrastructure, (2) expand existing systems in response to community growth and development, and (3) invest in new treatment plants and technology to meet water quality standards. In its First Report to Congress in January 1997, the U.S. Environmental Protection Agency estimated that the nation's water systems must invest a minimum of $138.4 billion through 2015 to meet the requirements of the Safe Drinking Water Act of 1974, as amended. Advancing technology and the increasingly stringent drinking water regulations have transformed the drinking water industry into one that now demands a level of technological expertise that was previously not required. The costs associated with meeting more stringent water quality standards, coupled with the costs of replacing aging infrastructure, have caused many small, and some large, water utilities to sell their systems to larger, better capitalized water utilities that can afford the costs of making the necessary investments in their systems and have the requisite economies of scale.

Although not as fragmented as the water industry, the wastewater industry in the U.S. also presents opportunities for consolidation. According to the U.S. Environmental Protection Agency's most recent survey of publicly-owned wastewater treatment facilities in 1996, there are approximately 16,000 such facilities in the nation serving approximately 72% of the U.S. population. The vast majority of wastewater facilities are government-owned rather than privately-owned. That survey also indicates that there are about 2,900 such facilities in operation or planned in the five states where we operate. The U.S. Environmental Protection Agency estimates that about $140 billion will need to be invested in wastewater systems over the next 20 years to meet environmental standards.

General

We are a holding company for regulated utilities providing water or wastewater services to approximately 2 million people in Pennsylvania, Ohio, Illinois, New Jersey and Maine. Our two primary subsidiaries are Philadelphia Suburban Water, a regulated public utility that provides water or wastewater services to about 1.1 million residents in the suburban areas west and north of the City of Philadelphia, and Consumers Water, a holding company for several regulated public utility companies that provide water or wastewater services to about 850,000 residents in various communities in Pennsylvania, Ohio, Illinois, New Jersey and Maine. We are among the largest investor-owned water utilities in the U.S. based on the number of customers. In addition, we provide water service to approximately 25,000 people through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. Subsidiaries of Philadelphia Suburban Water and Consumers Water provide primarily residential wastewater services to approximately 28,000 people in Pennsylvania, Illinois and New Jersey. For the three months ended March 31, 2000, the operating revenues associated with wastewater services were approximately 2% of our consolidated operating revenues. Our ratio of customers to employees as of March 31, 2000 is 595 to 1, which is one of the best ratios, from an efficiency perspective, in the water utility industry.

Our customer base is primarily residential, with these customers representing approximately two-thirds of our total water revenues. Substantially all of our customers are metered, which allows us to measure and bill our customers' water consumption. Water consumption per customer is affected by local weather conditions during the year, especially during the late spring and early summer. In general, during these seasons, an extended period of dry weather increases water consumption, while above average rainfall decreases water consumption. Also, an increase in the average temperature generally causes an increase in water consumption. As was the case in Pennsylvania and New Jersey in the summer of 1999, abnormally dry weather in our service areas can sometimes result in the governmental authorities declaring drought warnings and water use restrictions in the affected areas. If these types of actions are taken, water consumption and water revenues may be reduced. While parts of Pennsylvania, particularly those dependent on groundwater, experienced water shortages during the 1999 drought, our water supplies remained adequate. When the drought restrictions were lifted, water revenues returned to normal levels.



The merger with Consumers Water in 1999, with its operations in western Pennsylvania, Ohio, Illinois, New Jersey and Maine, has allowed us to diversify our exposure to regional weather conditions. In 1999, above average water consumption during the summer in Ohio and Illinois offset the effect of the drought declarations and water use restrictions in Pennsylvania and New Jersey. More importantly, Consumers Water has over 25 locations within those five states from which we can pursue our growth strategy. Including acquisitions, Philadelphia Suburban Water's customer base increased at an annual compound rate of 3.9% during the three-year period of 1997 through 1999. Including acquisitions, Consumers Water's consolidated customer growth rate during this period was 1.5%.

Our largest shareholder is Vivendi S.A. and certain of its subsidiaries. Vivendi S.A. is a company headquartered in Paris with worldwide interests in various businesses, including the water industry primarily through its subsidiary, Vivendi Water S.A. Vivendi S.A. and these subsidiaries owned approximately 18% of our outstanding common stock on March 31, 2000. A recent letter from Vivendi Water S.A. to our chairman, reaffirmed Vivendi S.A.'s intention to hold our shares for investment, which is consistent with the disclosure set forth in Vivendi S.A.'s Amendment No. 19 to its Schedule 13D, filed with the SEC in April 2000. Although Vivendi S.A. indicated in this filing that it would review its investment position in us periodically, including possibly selling its shares, it also indicated in this filing that it may seek to acquire (either directly or through a subsidiary) additional shares of our common stock from time to time that would result in Vivendi S.A and its subsidiaries holding up to 19.99% of our shares. For more information with respect to Vivendi S.A.'s ownership of our common stock, we refer you to Amendment No. 19 to Vivendi S.A.'s Schedule 13D. At its August 1, 2000 meeting, our board of directors, on the recommendation of our corporate governance

committee: acknowledged the resignation of Michel Avenas, President of Vivendi North America, from our board; increased the size of the board from 11 to 12 directors; expanded the class of directors with terms expiring at our 2001 annual meeting (the class of directors that Mr. Avenas was in) from 3 to 4; and appointed Mr. Richard Heckmann, Chairman of Vivendi Water S.A., and Mr. Andrew Seidel, President and Chief Operating Officer of Vivendi Water S.A. to our board in the class of directors with terms expiring at our 2001 annual meeting.

We have had various discussions with representatives of Vivendi S.A.'s subsidiaries, Vivendi Water S.A. and United States Filter Corporation, exploring possible joint activities or alliances in such areas as water treatment devices, bottled water, contract operations of water and wastewater systems and joint materials purchasing. Although we intend to continue these discussions and explore any other potential areas of cooperation, we currently have no formal agreements with Vivendi S.A., United States Filter Corporation or any of their affiliates in any of these areas and there can be no assurance that any agreements in these areas or other areas will be ultimately reached.

Recent Financial Results (First Quarter 2000 Compared to First Quarter 1999)

Operating revenues in the first quarter of 2000 increased by $5,913,000 or 10.1% primarily due to revenues from the distribution system improvement charge in Pennsylvania, increased water sales and additional water revenues associated with acquisitions. Increased revenues from acquisitions came primarily from the Bensalem water system acquired in December 1999. The distribution system improvement charge, which is discussed in more detail below under "-- Rates and Regulation," provided $1,735,000 of additional revenues over the prior year. The improvement in water sales was due to an increase in customer consumption.

Costs and expenses in the first quarter of 2000 decreased by $508,000 or 1.3% primarily due to a restructuring charge of $3,787,000 recorded in the first quarter of 1999 for severance and costs associated with the closing of the Consumers Water corporate office, offset in part by increased operations and maintenance expenses and depreciation. Operations and maintenance expenses in the first quarter of 2000 increased by $2,203,000 or 9.7% due to higher maintenance expenses and additional operating costs associated with the Bensalem acquisition and increased wage and administrative expenses. Offsetting these increases, in part, was a reduction in general corporate expenses related to the closing of Consumers Water's corporate office following the merger. Depreciation increased by $832,000 or 11.2% due to capital expenditures made to expand and improve water utility facilities, and as a result of acquisitions of water systems.



Net income available to common stock for the first quarter of 2000 increased as a result of the change in operating revenues and expenses described above and the following factors. In the first quarter of 1999, we recorded a charge of $6,334,000 for transaction costs associated with the Consumers Water merger consummated in March 1999. The charge represents the fees for investment bankers, attorneys, accountants and other administrative charges. Interest expense for the first quarter of 2000 increased $1,764,000 primarily due to increased borrowings to finance capital projects and acquisitions. In the first quarter of 2000, we recorded gains on the sale of marketable securities of $1,061,000. We did not sell any marketable securities in 1999.

Accordingly, earnings per share for the first quarter of 2000 were $0.25 versus $0.01 for the first quarter of 1999. Earnings per share (without the merger related restructuring and transaction costs incurred in the first quarter of 1999 described above) were $0.25 for the first quarter of 2000 versus $0.22 for the first quarter of 1999.

Acquisition Strategy

We are actively exploring opportunities to expand our utility operations through acquisitions or otherwise. As of March 31, 2000, we had completed 54 acquisitions or other growth ventures during the past five years. Exclusive of the Consumers Water merger in March 1999, these transactions have added 60,200 customers to our customer base during this five-year period. The largest of these transactions was the acquisition of the water utility assets of Bensalem Township in December 1999, which added 14,945 customers.

Because of the fragmented nature of the water and wastewater utility

industries, we believe that there are many potential water system acquisition candidates throughout the U.S. We believe the factors driving consolidation of these water systems are:

- the benefits of economies of scale, including the development of technological expertise that would not be feasible in a smaller organization;
- increasingly stringent environmental regulations; and
- the need for major capital investment.

We believe that acquisitions will continue to be an important source of growth for us. We intend to continue to pursue acquisitions of municipally-owned and investor-owned water systems of all sizes that provide services in areas adjacent to our existing service territories or in new service areas. We engage in continuing activities with respect to potential acquisitions, including calling on prospective sellers, performing analyses and investigations of acquisition candidates, making preliminary acquisition proposals and negotiating the terms of potential acquisitions.

We believe that any municipally-owned water and wastewater systems that we would acquire would be purchased with cash, while any investor-owned water and wastewater systems that we would acquire would be purchased with cash, shares of our common stock, shares of our preferred stock or a combination of each. We expect to generate the cash needed for acquisitions initially with the proceeds from the issuance of short-term debt, with subsequent repayment from earnings, the proceeds from the issuance of long-term debt and the proceeds from equity sold through our dividend reinvestment plan and our equity offerings. We have filed a registration statement with the SEC to issue up to an additional 2,000,000 shares of common stock and up to an additional 500,000 shares of preferred stock in connection with the acquisition of other water and wastewater systems. If we issue any of these shares in connection with an acquisition, subject to the requirements of Rule 145 under the Securities Act of 1933 and any contractual restrictions, these shares may be immediately resold following the completion of any acquisition.

We are not currently a party to any definitive agreement or binding letter of intent with respect to a material acquisition. We cannot assure you that in the future we will be able to continue to identify and acquire any business or water or wastewater system on acceptable terms or that such acquisitions will be accretive to earnings.



Employee Relations

As of March 31, 2000, we employed a total of 941 full-time employees. Our subsidiaries are parties to agreements with labor unions covering 484 employees. These agreements are due to expire between October 2001 and August 2004. We consider our employee relations to be good.

Rates and Regulation

Our water and wastewater utility operations are subject to regulation by their respective state regulatory commissions, which have broad administrative power and authority to set rates and charges, determine franchise areas and conditions of service and authorize the issuance of securities. The regulatory commissions also establish uniform systems of accounts and approve the terms of contracts with both affiliates and customers. In addition, the regulatory commissions have the authority to approve acquisitions of other utility systems, loans and the purchase or sale of property. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances in the various states in which we operate. Accordingly, we maintain a rate case management capability to ensure that the rates of the utility operations reflect, to the extent practicable, current costs of operations, capital, taxes, energy, materials and compliance with environmental regulations. Rates for some divisions of our Ohio water utility can be fixed by negotiated agreements with the municipalities that are served by those divisions, in lieu of regulatory approval from the Public Utility Commission of Ohio. Currently, two of our four regulated divisions in Ohio are operating under these negotiated agreements.

In 1996, the Pennsylvania Public Utility Commission approved the

distribution system improvement charge. The distribution system improvement charge is a mechanism that allows Pennsylvania water utilities to add a surcharge to their water bills without the need for a fully-litigated rate proceeding. This surcharge is designed to recover, on a current basis, the additional depreciation and capital costs associated with certain non-revenue producing, non-expense reducing capital expenditures related to replacing and rehabilitating distribution systems. Prior to the distribution system improvement charge, water utilities absorbed all of the depreciation and capital costs of these projects between base rate increases without the benefit of additional revenues. The gap between the time that a capital project is completed and the recovery of its costs in base rates is known as regulatory lag. Regulatory lag often acted as a disincentive to water utilities in rehabilitating their distribution systems. The distribution system improvement charge is intended to eliminate or reduce regulatory lag. The Pennsylvania distribution system improvement charge is adjusted quarterly based on additional qualified capital expenditures made in the previous quarter. The Pennsylvania distribution system improvement charge is capped at 5% of base rates. Once a utility's distribution system improvement charge reaches this level, further rate increases would require a formal rate proceeding with the Pennsylvania Public Utility Commission, which would address all costs and expenses of the company. The distribution system improvement charge is reset to zero when new base rates that reflect the costs of those additions become effective. The Pennsylvania Public Utility Commission also limits use of the distribution system improvement charge to periods when a company's return on equity is less than a benchmark it establishes each quarter.

We are currently working to establish distribution system improvement charge mechanisms in the other states in which we operate. In May 1999, the Illinois legislature passed a bill to establish a distribution system improvement charge mechanism in Illinois. The Illinois Commerce Commission is analyzing the mechanism currently and considering approval of a distribution system improvement charge for use by Illinois water utilities, beginning in 2001. The New Jersey Board of Public Utilities has established a task force to review the merits of a distribution system improvement charge mechanism in New Jersey.

On April 27, 2000, the Pennsylvania Public Utility Commission approved a rate settlement reached between our Pennsylvania utility subsidiaries and the parties actively litigating our joint rate application filed in October 1999. The settlement was designed to increase annual revenue by $17,000,000 or 9.4% above the level in effect at the time of the filing. The rates in effect at the time of the filing included $7,347,000 in distribution system improvement charges ranging from 0.33% to 5%. Consequently, the settlement resulted in a total base rate increase of $24,347,000 or 13.5% above the rates in effect before the distribution system improvement charges were applied. As a part of the settlement, the distribution system improvement charges were reset to zero and we agreed not to file a base rate increase request prior to April 29, 2001, absent extraordinary circumstances. In this rate case, the Pennsylvania Public Utility Commission recognized all four of our Pennsylvania operating water utilities as one entity for rate-making purposes. Accordingly, in 2000, we plan to merge these four utilities into one company.



In March 2000, an operating division of Consumers Water's Illinois operating subsidiary was awarded an aggregate annual revenue increase of approximately $400,000. In April 2000, a rate increase was negotiated by an operating division of Consumers Water's subsidiary in Ohio with the local governmental authority resulting in an aggregate annual revenue increase of $140,000 in each of the following three years. In addition, in 2000, rate applications were filed by seven operating divisions of Consumers Water's subsidiaries in Illinois, Maine and New Jersey. The total additional annual revenue requested is $6,662,000 and decisions are anticipated by late 2000 or in the first quarter of 2001.

Environmental Regulation

The primary federal and state laws affecting the provision of water and wastewater services are the Clean Water Act, the Safe Drinking Water Act and the regulations issued under these laws by the U.S. Environmental Protection Agency and state environmental regulatory agencies, as well as federal and state laws affecting dam safety. These laws and regulations establish criteria and standards for drinking water and for discharges into the waters of the U.S. The states have the right to establish criteria and standards that are more strict

than those established by the U.S. Environmental Protection Agency. In some of the states where our subsidiaries operate they have done so. Other federal and state environmental laws and regulations in addition to the Clean Water Act, the Safe Drinking Water Act and the dam safety regulations affect the operations of our subsidiaries.

The Safe Drinking Water Act establishes criteria and procedures for the U.S. Environmental Protection Agency to develop minimum national quality standards for drinking water. Regulations issued pursuant to the Safe Drinking Water Act set standards on the amount of certain inorganic and organic chemical contaminants, microbials and radionuclides allowable in drinking water. Current requirements under the Safe Drinking Water Act are not expected to have a material effect on our operations or financial condition. We may, in the future, have to change our method of treating drinking water at certain sources of supply if additional regulations become effective.

The Clean Water Act regulates the discharge of liquid effluents from drinking water and wastewater treatment facilities into lakes, rivers, streams and subsurface or sanitary sewers. The Resource Conservation and Recovery Act regulates the handling and disposal of residuals and solids from drinking water and wastewater treatment facilities.

Our subsidiaries own sixteen major dams that are subject to the requirements of federal and state regulations related to dam safety. All major dams undergo an engineering inspection annually. We believe that all sixteen dams are structurally sound and well-maintained.

In addition to the capital expenditures and costs currently anticipated, changes in environmental regulations, enforcement policies and practices or related matters may result in additional capital expenditures and costs. Capital expenditures and costs incurred as a result of efforts to meet water quality standards and environmental requirements generally have been recognized by state public utility commissions as appropriate plant additions in establishing rates.

Rights to Conduct our Business

In general, we believe that we have valid rights, free from unduly burdensome restrictions, to enable us to carry on our business as presently conducted in the territories we now serve. The rights to provide water or wastewater service to a particular franchised service territory are generally non-exclusive, although the applicable regulatory commissions usually allow only one utility to provide service to a given area. In some instances, another water utility, usually government-owned, already provides service to a separate area within the same political subdivision served by one of our subsidiaries. In the states where our subsidiaries operate, it is possible that portions of our subsidiaries' operations could be acquired by municipal governments by one or more of the following methods:

- eminent domain;



- the right of purchase given or reserved by a municipality or political subdivision when the original franchise was granted; and

- the right of purchase given or reserved under the law of the state in which the subsidiary was incorporated or from which it received its permit.

The price paid by a municipal government for an acquisition is usually determined in accordance with applicable law governing the taking of lands and other property under eminent domain. In other instances, the price may be negotiated, fixed by appraisers selected by the parties or computed in accordance with a formula prescribed in the law of the state or in the particular franchise or charter. Generally, our strategy is to acquire additional water and wastewater systems, maintain our existing systems, and actively oppose efforts by municipal governments to acquire any of our operations, particularly for less than the fair market value of our operations or where the municipal government seeks to acquire more than it is entitled to under the applicable law or agreement.

There are two matters in Ohio that involve the attempted acquisition or condemnation of certain assets of Consumers Ohio Water Company, a subsidiary of

Consumers Water.

In Ashtabula County, Consumers Ohio Water Company provides water service to several municipalities and to areas of the county that are located outside of these municipalities. Ashtabula County is seeking to purchase certain assets of Consumers Ohio Water Company that are located outside of these municipalities. The parties are currently litigating the question of whether Ashtabula County's right to purchase includes all of the assets located outside of these municipalities or only those assets that are not essential for providing service to these municipalities. The county claims that it is entitled to purchase all the assets and will allow Consumers Ohio Water Company to use certain pipelines needed to convey water to the municipalities. Consumers Ohio Water Company's position is that the county may only purchase assets not involved in providing service to the municipalities. It is not certain that the county will proceed with an acquisition if all the assets cannot be purchased. If the county does proceed to acquire all or some of these assets, we believe that Consumers Ohio Water Company will be entitled to fair value for these assets, which, in any event, will exceed the book value for these assets.

The City of Geneva, a municipality in Ashtabula County, Ohio, has passed an ordinance seeking to condemn the assets of Consumers Ohio Water Company that are located in Geneva. The issue is being submitted to a referendum in the fall of 2000, whereby voters will determine whether the city should proceed with this action. If the city does proceed to condemn these assets, we believe that Consumers Ohio Water Company will be entitled to fair value for these assets, which, in any event, will exceed the book value for these assets.

The total number of customers included in the Ashtabula and Geneva systems discussed above represent only 1.4% of our total customer base.

## CAPITAL REQUIREMENTS AND FUNDING

### 2000 Capital Program

During the first quarter of 2000, we had $19,691,000 of capital expenditures, repaid $520,000 of long-term debt and repaid $1,620,000 of customer advances for construction. Our planned 2000 capital program, exclusive of the costs of new mains financed by advances and contributions in aid of construction, is estimated to be approximately $110.6 million, of which approximately $34.3 million is for distribution system improvement charge qualified projects. We expect to continue to finance our 2000 capital program, along with approximately $12.2 million of sinking fund obligations and debt maturities, through internally-generated funds, our revolving credit facilities, proceeds from this offering, the issuance of new long-term debt and proceeds from our dividend reinvestment plan.



### 2001 Capital Program

Our planned 2001 capital program, exclusive of the costs of new mains financed by advances and contributions in aid of construction, is estimated to be approximately $110.5 million, of which $45.8 million is for distribution system improvement charge qualified projects. Philadelphia Suburban Water and Consumers Water's Pennsylvania subsidiaries have increased their capital spending for infrastructure rehabilitation in response to the availability of the distribution system improvement charge. Should the distribution system improvement charge in Pennsylvania be discontinued (which is not anticipated), for any reason, Philadelphia Suburban Water and the Consumers Water subsidiaries in Pennsylvania would likely reduce their capital programs significantly. Our 2001 capital program, along with approximately $3.8 million of sinking fund obligations and debt maturities is expected to be financed through internally-generated funds, the revolving credit facilities, the issuance of new long-term debt and proceeds from our dividend reinvestment plan.

### Water Main Replacement

In our water utility systems, we maintain approximately 6,800 miles of water mains to transmit and distribute water to our customers. On average, the water mains are 47 years old and are made of cast iron (64%), ductile iron (26%) and other materials (10%). We maintain a program to replace or rehabilitate these mains through a cost-effective infrastructure rehabilitation program.

Anticipated Construction

Future utility construction in the period 2002 through 2004, including recurring programs, such as the ongoing replacement of water meters, the rehabilitation of water mains and additional transmission mains and expanded and new treatment facilities to meet customer demands is estimated to require aggregate expenditures of approximately $360 million. This $360 million is exclusive of the costs of new mains financed by advances and contributions in aid of construction. We anticipate that less than one-half of these expenditures will require external financing, including the issuance of long-term debt, the issuance of common stock through our dividend reinvestment plan and possible future public equity offerings. We expect to refinance approximately $87.6 million of debt maturities during this period, as they become due, with new issues of long-term debt. The estimates discussed above do not include any amounts for possible future acquisitions of water systems or the financing necessary to support such acquisitions.

The ability to finance our future construction programs, as well as our acquisition activities, depends on our ability to attract the necessary external financing and maintain or increase internally-generated funds. Rate orders permitting compensatory rates of return on invested capital and timely rate adjustments will be required by our operating subsidiaries to achieve an adequate level of earnings to enable them to secure the capital they will need and to maintain satisfactory debt coverage ratios.

## WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. You may also obtain our SEC filings from the SEC's website at http://www.sec.gov/.

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. Statements made in this prospectus as to the contents of any contract, agreement or other documents are not necessarily complete, and, in each instance, we refer you to a copy of such document filed as an exhibit to the registration statement, of which this prospectus is a part, or otherwise filed with the SEC. The information incorporated by reference is considered to be part of this prospectus. When we file information with the SEC in the future, that information will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings we will make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until all of the shares of common stock that we have registered are sold:



- Our Annual Report on Form 10-K for the fiscal year ended December 31, 1999 including portions of our definitive Proxy Statement for the 2000 Annual Meeting of Shareholders incorporated therein by reference;
- Our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2000;
- Our Current Report on Form 8-K filed on April 27, 2000 reporting under Item 5 the settlement of our Pennsylvania rate case;
- Our Current Report on Form 8-K filed on July 27, 2000 reporting under Item 5 our earnings for the quarter ended June 30, 2000;
- The description of our common stock contained in our registration under Section 12 of the Securities Exchange Act of 1934, including any amendment or report updating such description; and
- The description of our shareholder rights plan contained in our Form 8-A Registration Statement filed on March 17, 1998.

You may request a copy of these filings, at no cost, by writing or telephoning us at:

Philadelphia Suburban Corporation
Attention: Patricia M. Mycek, Secretary
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489
Telephone: 610-527-8000

## USE OF PROCEEDS

Based on current market conditions, we anticipate that the net proceeds from the sale of the shares will be approximately $21.0 million ($24.2 million if the underwriters' over-allotment option is exercised in full). We expect to make a capital contribution of these proceeds to Philadelphia Suburban Water. We expect that Philadelphia Suburban Water will use these proceeds to reduce outstanding debt under its revolving credit agreement incurred for capital expenditures and for acquisitions of water systems. As of March 31, 2000, the principal amount outstanding under Philadelphia Suburban Water's revolving credit agreement was $50 million. Interest on outstanding balances under this revolving credit agreement is based, at Philadelphia Suburban Water's option, on the prime rate, an adjusted federal funds rate, an adjusted London Interbank Offered Rate corresponding to the interest period selected, an adjusted Euro-Rate corresponding to the interest period selected or at rates offered by the banks. As of March 31, 2000, the weighted average interest rate on the principal amount outstanding under this revolving credit agreement was 6.32%.

## PRICE RANGE OF COMMON STOCK AND DIVIDENDS

The following table shows the high and low sale prices for our common stock as reported on the New York Stock Exchange composite transactions reporting system and the cash dividends paid per share for the periods indicated. Our common stock is listed on the New York and Philadelphia Stock Exchanges and is traded under the symbol "PSC".



| | High | Low | Quarterly Cash Dividends Paid |
|---|---|---|---|
| 1998 | | | |
| First Quarter | $ 25.75 | $ 19.56 | $ 0.1625 |
| Second Quarter | 22.56 | 18.88 | 0.1625 |
| Third Quarter | 28.19 | 20.50 | 0.1700 |
| Fourth Quarter | 30.06 | 23.00 | 0.1700 |
| 1999 | | | |
| First Quarter | $ 29.75 | $ 19.75 | $ 0.17 |
| Second Quarter | 25.75 | 21.31 | 0.17 |
| Third Quarter | 25.31 | 21.13 | 0.18 |
| Fourth Quarter | 24.19 | 20.19 | 0.18 |
| 2000 | | | |
| First Quarter | $ 22.00 | $ 16.50 | $ 0.18 |
| Second Quarter | 24.94 | 18.13 | 0.18 |
| Third Quarter (through August 1, 2000) | 22.69 | 20.00 | - |

At our August 1, 2000 board meeting, our board of directors approved our regular quarterly dividend of $0.18 per share, payable on September 1, 2000 to shareholders of record on August 15, 2000. In addition, our board of directors approved a 25% common stock dividend payable on December 1, 2000 to shareholders of record on November 15, 2000 and a 7.64% increase in our quarterly cash dividend from $0.18 per share to $0.19375 per share with this increase to be effective for our December 1, 2000 cash dividend payment payable on December 1, 2000 to shareholders of record on November 15, 2000. On an annualized basis, this represents an increase in the annual dividend rate from

$0.72 per share to $0.775 per share effective with the December 1, 2000 dividend. The increase in the December 1, 2000 dividend is the 10th increase in our dividend that the board has approved in the past 9 years.

We or our predecessor companies have paid dividends each year since 1944. We presently intend to pay quarterly cash dividends in the future on March 1, June 1, September 1 and December 1, subject to our earnings and financial condition, regulatory requirements and such other factors as our board of directors may deem relevant. See "Description of Capital Stock - Common Stock -- Dividend Rights and Limitations" for a description of certain limitations on our ability to pay cash dividends.

On August 1, 2000 the last reported sale price of our common stock on the New York Stock Exchange was $22.1875 per share. As of March 31, 2000, there were approximately 20,353 holders of record of our common stock.

We offer the holders of record of less than 30,000 shares of our common stock the opportunity to reinvest part or all of the dividend payments on their shares of common stock through purchases of original issue common stock without payment of any brokerage commission or service charge through our dividend reinvestment and direct stock purchase plan. The purchase price for original issue shares of common stock purchased through the reinvestment of dividends is 95% of the average of the high and low prices of common stock as reported on the New York Stock Exchange composite transactions reporting system for each of the five trading days immediately preceding the dividend payment date. This plan also permits shareholders and investors to invest up to $30,000 annually in our



common stock in the open market through our transfer agent. At March 31, 2000, holders of 18.3% of the shares of our common stock outstanding participated in the dividend reinvestment portion of this plan.

## DESCRIPTION OF CAPITAL STOCK

The following description of our common stock sets forth material terms and provisions of our common stock. You should read our current amended and restated articles of incorporation for more detailed terms of our common stock.

As of March 31, 2000, our authorized capital stock was 101,770,819 shares. Those shares consisted of:

- 100,000,000 shares of our common stock, par value $0.50 per share, of which 40,927,257 shares were outstanding; and
- 1,770,819 shares of preferred stock, par value $1.00 per share, of which 17,600 shares of Series B Preferred Stock were issued and outstanding.

### Common Stock

#### Voting Rights

Holders of our common stock are entitled to one vote for each share held by them at all meetings of the shareholders and are not entitled to cumulate their votes for the election of directors.

#### Dividend Rights and Limitations

Holders of common stock may receive dividends when declared by our board of directors. Because we are a holding company, the funds we use to pay any dividends on our common stock are derived predominantly from the dividends that we receive from our subsidiaries, Philadelphia Suburban Water and Consumers Water, and the dividends they receive from their subsidiaries. Therefore, our ability to pay dividends to holders of our common stock depends upon our subsidiaries' earnings, financial condition and ability to pay dividends. We own 100% of the outstanding common stock of Philadelphia Suburban Water and Consumers Water. Consumers Water owns 100% of the voting stock of four water companies and at least 96% of the voting stock of three water companies. Most of our subsidiaries are subject to regulation by state utility commissions and the amounts of their earnings and dividends are affected by the manner in which they are regulated. In addition, they are subject to restrictions on the payment of dividends contained in their various debt agreements. Under our most restrictive debt agreements, the amount available for payment of dividends to us as of March

31, 2000 was approximately $149 million of Philadelphia Suburban Water's retained earnings and $60 million of Consumers Water's retained earnings. Payment of dividends on our common stock is also subject to the preferential rights of the holders of preferred stock to receive full cumulative dividends, both past and current.

Liquidation Rights

In the event that we liquidate, dissolve or wind-up, the holders of our common stock are entitled to share ratably in all of the assets that remain after we pay our liabilities. This right is subject, however, to the prior distribution rights of any outstanding preferred stock.

Shareholder Rights Plan

Holders of our common stock own, and the holders of the shares of common stock issued in this offering will receive, one right to purchase Series A Junior Participating Preferred Stock for each outstanding share of common stock. These rights are issued pursuant to a shareholders rights plan. Upon the occurrence of certain events, each right would entitle the holder to purchase from us one one-thousandth of a share of Series A Junior Participating Preferred Stock at an exercise price of $90 per one-thousandth of a share, subject to adjustment. The rights are exercisable in certain circumstances if a person or group acquires 20% or more of our common stock or if the holder of 20% or more of our common stock engages in certain transactions with us. In that case, each right would be exercisable by each holder, other than the acquiring person, to purchase shares of our common stock at a substantial discount from the market price. In addition, if, after the date that a person has become the holder of 20% or more of our common stock, any person or group merges with us or engages in certain other transactions with us, each right entitles the holder, other



than the acquirer, to purchase common stock of the surviving corporation at a substantial discount from the market price. These rights are subject to redemption by us in certain circumstances. These rights have no voting or dividend rights and, until exercisable, cannot trade separately from our common stock and have no dilutive effect on our earnings. This plan expires on March 1, 2008.

Preferred Stock

Our board of directors has the authority to divide the preferred stock into one or more series and to fix and determine relative rights and preferences of the shares of each series.

Series B Preferred Stock

As of March 31, 2000, the only series of preferred stock outstanding was our Series B Preferred Stock, of which there were 17,600 shares outstanding. Holders of our Series B Preferred Stock are entitled to receive cumulative quarterly dividends equal to $1.5125 per share or at a rate equal to 6.05% per year. In the event that we liquidate, dissolve or wind-up, holders of Series B Preferred Stock are entitled to receive $100 per share plus an amount equal to any accrued but unpaid cumulative dividends together with any interest that has accrued on those dividends. Our Series B Preferred Stock ranks senior to our Series A Junior Participating Preferred Stock, if issued, and our common stock with respect to the right to receive dividends and the right to the distribution of our assets upon liquidation.

The Series B Preferred Stock is not convertible into any other class or series of our capital stock. We have the right to redeem, in whole or in part, up to 6,440 shares of Series B Preferred Stock each year beginning on December 1, 2001 at a price equal to $100 per share plus any accrued and unpaid dividends together with any interest that has accrued on those dividends through the date of redemption. The Series B Preferred Stock is not subject to or entitled to the benefit of a sinking fund.

So long as any shares of our Series B Preferred Stock are outstanding, we may not adopt any amendment to our articles of incorporation that would adversely affect, in any material respect, the rights or preferences of the Series B Preferred Stock without the affirmative vote of the holders of a majority of the Series B Preferred Stock.

State Law Anti-Takeover Provisions

Pennsylvania State Law Provisions

We are subject to various anti-takeover provisions of the Pennsylvania Business Corporation Law of 1988, as amended. Generally, these provisions are triggered if any person or group acquires, or discloses an intent to acquire, 20% or more of a corporation's voting power, unless the acquisition is under a registered firm commitment underwriting or, in certain cases, approved by the board of directors. These provisions:

- provide the other shareholders of the corporation with certain rights against the acquiring group or person;
- prohibit the corporation from engaging in a broad range of business combinations with the acquiring group or person; and
- restrict the voting and other rights of the acquiring person or group.

In addition, as permitted by Pennsylvania law, an amendment to our articles of incorporation or other corporate action that is approved by shareholders may provide mandatory special treatment for specified groups of nonconsenting shareholders of the same class. For example, an amendment to our articles of incorporation or other corporate action may provide that shares of common stock held by designated shareholders of record must be cashed out at a price determined by the corporation, subject to applicable dissenters' rights.



Articles of Incorporation and Bylaw Provisions

Certain provisions of our articles of incorporation and bylaws may have the effect of discouraging unilateral tender offers or other attempts to take over and acquire our business. These provisions might discourage some potentially interested purchaser from attempting a unilateral takeover bid for us on terms which some shareholders might favor. Our articles of incorporation require that certain fundamental transactions must be approved by the holders of 75% of the outstanding shares of our capital stock entitled to vote on the matter unless at least 50% of the members of the board of directors has approved the transaction, in which case the required shareholder approval will be the minimum approval required by applicable law. The fundamental transactions that are subject to this provision are those transactions that require approval by shareholders under applicable law or the articles of incorporation. These transactions include certain amendments of our articles of incorporation or bylaws, certain sales or other dispositions of our assets, certain issuances of our capital stock, or certain transactions involving our merger, consolidation, division, reorganization, dissolution, liquidation or winding up. Our articles of incorporation and bylaws provide that:

- a special meeting of shareholders may only be called by the chairman, the president, the board of directors or shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast at the particular meeting;
- nominations for election of directors may be made by any shareholder entitled to vote for election of directors if the name of the nominee and certain information relating to the nominee is filed with our corporate secretary not less than 14 days nor more than 50 days before any meeting of shareholders to elect directors; and
- certain advance notice procedures must be met for shareholder proposals to be made at annual meetings of shareholders. These advance notice procedures generally require a notice to be delivered not less than 90 days nor more than 120 days before the anniversary date of the immediately preceding annual meeting of shareholders.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is BankBoston, N.A.

## UNDERWRITING

Subject to the terms and conditions of the underwriting agreement between us and the representatives on behalf of the underwriters, the underwriters have agreed severally to purchase from us the following number of shares of common stock at the public offering price less the underwriting discount set forth on the cover page of this prospectus.

| Underwriters | Number of Shares |
|---|---|
| A.G. Edwards & Sons, Inc. | |
| PaineWebber Incorporated | |
| Janney Montgomery Scott LLC | |
| Total | 1,000,000 |

The underwriting agreement provides that the obligations of the several underwriters to purchase the shares included in this offering are subject to certain conditions precedent, and that the underwriters are obligated to take and pay for all of the shares of common stock offered hereby (other than those covered by the over-allotment option described below) if any are taken.

The representatives of the underwriters have advised us that they propose to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at such price less a concession not in excess of $__ per share. The underwriters may allow, and such dealers may re-allow, a concession not in excess of $0.__ per share to certain other dealers. After the offering, the public offering price and other selling terms may be changed by the underwriters.



We have granted to the underwriters an option, exercisable for 30 days after the date of this prospectus, to purchase up to 150,000 additional shares of common stock at the public offering price, less the underwriting discount set forth on the cover page of this prospectus, solely to cover over-allotments. To the extent that the underwriters exercise this option, the underwriters will become obligated, subject to certain conditions, to purchase approximately the same percentage of such additional shares as the number set forth next to such underwriter's name in the preceding table bears to the total number of shares in such table, and we will be obligated, pursuant to the option, to sell such shares to the underwriters.

We and Vivendi S.A., together with certain of its affiliates, our largest shareholder, have agreed not to sell or otherwise dispose of, and Vivendi S.A. has agreed to cause each of its controlled affiliates to not sell or otherwise dispose of, any shares of our common stock for a period of 90 days after the date of this prospectus without the prior written consent of A.G. Edwards & Sons, Inc. A.G. Edwards & Sons, Inc. may, in its sole discretion, allow us or Vivendi S.A. to dispose of common stock or other securities prior to the expiration of such 90-day period. Except as discussed above, there are, however, no agreements between A.G. Edwards & Sons, Inc. and us or Vivendi S.A. that would allow us or Vivendi S.A. to do so as of the date of this prospectus. There are some exceptions to our restrictions to sell common stock, including the issuance of our common stock in connection with our employee benefit plans, our shareholder rights plan and our dividend reinvestment and direct stock purchase plan and up to 600,000 shares of our common stock that may be issued as consideration for acquisitions of businesses pursuant to our shelf registration statement discussed earlier.

The following table summarizes the underwriting discount that we will pay to the underwriters in this offering. These amounts assume both no exercise and full exercise of the underwriters' option to purchase additional shares of common stock.

| | No Exercise | Full Exercise |
|---|---|---|
| Per Share | $ | $ |
| Total | $ | $ |

We expect to incur expenses of approximately $150,000 in connection with this offering. We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

Until the distribution of the common stock is completed, rules of the SEC may limit the ability of the underwriters and certain selling group members to bid for and purchase the common stock. As an exception to these rules, the underwriters are permitted to engage in certain transactions that stabilize, maintain or otherwise affect the price of the common stock.

In connection with the offering, the underwriters may make short sales of our shares of common stock and may purchase our shares on the open market to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are made in an amount not greater than the over-allotment option described above. The underwriters may close out any covered short position by either exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. "Naked" short sales are sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.

The underwriters may also impose a penalty bid on certain selling group members. This means that if the underwriters purchase common stock in the open market to reduce the selling group members' short position or to stabilize the price of the common stock, it may reclaim the amount of the selling concession from the selling group members who sold those shares of common stock as part of this offering.



In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases or such purchases could prevent or retard a decline in the price of the security. The imposition of a penalty bid might also have an effect on the price of a security to the extent that it were to discourage resales of the security.

Neither we nor the representatives make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the common stock. In addition, neither we nor the representatives make any representation that the underwriters will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The representatives of the underwriters are three of the six placement agents under Philadelphia Suburban Water's medium term note program. In addition, the representatives of the underwriters have engaged in transactions with and performed various financial advisory, investment banking, brokerage and other services for us and our subsidiaries in the past and may do so from time to time in the future.

## LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania, and for the underwriters by Winthrop, Stimson, Putnam & Roberts, New York, New York.

## EXPERTS

The consolidated financial statements of Philadelphia Suburban Corporation and subsidiaries as of December 31, 1999 and 1998, and for each of the years in the three-year period ended December 31, 1999, have been incorporated by reference herein and in the registration statement in reliance upon the report of KPMG LLP, independent certified public accountants, also incorporated by reference herein and in the registration statement, and upon

authority of said firm as experts in accounting and auditing.



==========

1,000,000 Shares

PHILADELPHIA SUBURBAN
CORPORATION

Common Stock

PROSPECTUS

A.G. Edwards & Sons, Inc.

PaineWebber Incorporated

Janney Montgomery Scott LLC

, 2000

==========

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

The following table shows the estimated expenses of the issuance and distribution of the securities offered hereby:

| | |
|---|---|
| Securities and Exchange Commission Registration Fee | $ 6,710 |
| Printing | 28,000 |
| Accounting Services | 35,000 |
| Legal Services | 50,000 |
| NYSE Listing Fees | 4,025 |
| PHSE Listing Fees | 1,250 |
| Transfer Agent Fees | 2,500 |
| Miscellaneous | 22,515 |
| Total | $150,000 |

Item 15. Indemnification of Directors and Officers

Sections 1741 and 1742 of the Pennsylvania Business Corporation Law of 1988, as amended (the "BCL"), provide that a business corporation may indemnify directors and officers against liabilities they may incur as such provided that the particular person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. In general, the power to indemnify under these sections does not exist in the case of actions against a director or officer by or in the right of the corporation if the person otherwise entitled to indemnification shall have been adjudged to be liable to the corporation unless it is judicially determined that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnification for specified expenses. The corporation is required to indemnify directors and officers against expenses they may incur in defending actions against them in such capacities if they are successful on the merits or otherwise in the defense of such actions.

Section 1713 of the BCL permits the shareholders to adopt a bylaw provision relieving a director (but not an officer) of personal liability for monetary damages except where (i) the director has breached the applicable standard of care, and (ii) such conduct constitutes self-dealing, willful misconduct or recklessness. The statute provides that a director may not be relieved of liability for the payment of taxes pursuant to any federal, state or local law or responsibility under a criminal statute. Section 4.01 of the Registrant's bylaws limits the liability of any director of the Registrant to the fullest extent permitted by Section 1713 of the BCL.

Section 1746 of the BCL grants a corporation broad authority to indemnify its directors, officers and other agents for liabilities and expenses incurred in such capacity, except in circumstances where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness. Article VII of the Registrant's bylaws provides indemnification of directors, officers and other agents of the Registrant broader than the indemnification permitted by Section 1741 of the BCL and pursuant to the authority of Section 1746 of the BCL.

Article VII of the bylaws provides, except as expressly prohibited by law, an unconditional right to indemnification for expenses and any liability paid or incurred by any director or officer of the Registrant, or any other person designated by the board of directors as an indemnified representative, in connection with any actual or threatened claim, action, suit or proceeding (including derivative suits) in which he or she may be involved by reason of being or having been a director, officer, employee or agent of the Registrant or, at the request of the Registrant, of another corporation, partnership, joint venture, trust, employee benefit plan or other entity. The bylaws specifically authorize indemnification against both judgments and amounts paid in settlement of derivative suits, unlike Section 1742 of the BCL which authorized indemnification only of expenses incurred in defending a derivative action. Article VII of the bylaws also allows indemnification for punitive damages and liabilities incurred under the federal securities laws.



Unlike the provisions of BCL Sections 1741 and 1742, Article VII does not require the Registrant to determine the availability of indemnification by the procedures or the standard of conduct specified in Sections 1741 and 1742 of the BCL. A person who has incurred an indemnifiable expense or liability has a right to be indemnified independent of any procedures or determinations that would otherwise be required, and that right is enforceable against the Registrant as long as indemnification is not prohibited by law. To the extent indemnification is permitted only for a portion of a liability, the bylaw provisions require the Registrant to indemnify such portion. If the indemnification provided for in Article VII is unavailable for any reason in respect of any liability or portion thereof, the bylaws require the Registrant to make a contribution toward the liability. Indemnification rights under the bylaws do not depend upon the approval of any future board of directors.

Section 7.04 of the Registrant's bylaws also authorizes the Registrant to further effect or secure its indemnification obligations by entering into indemnification agreements, maintaining insurance, creating a trust fund,

granting a security interest in its assets or property, establishing a letter of credit, or using any other means that may be available from time to time.

The Registrant maintains, on behalf of its directors and officers, insurance protection against certain liabilities arising out of the discharge of their duties, as well as insurance covering the Registrant for indemnification payments made to its directors and officers for certain liabilities. The premiums for such insurance are paid by the Registrant.

Item 16. Exhibits

The exhibits filed as part of this registration statement are as follows:

| Exhibit Number | Description |
|---|---|
| 1.1 | Form of Underwriting Agreement** |
| 4.1 | Amended and Restated Articles of Incorporation (1) |
| 4.2 | Current Bylaws of Registrant* |
| 4.3 | Amendment to Amended and Restated Articles of Incorporation, to increase the number of authorized shares (2) |
| 4.4 | Amendment to Amended and Restated Articles of Incorporation, designating the Series B Preferred Stock (2) |
| 4.5 | Amendment to Amended and Restated Articles of Incorporation, designating the Series A Junior Participating Preferred Stock (3) |
| 4.6 | Amendment to Amended and Restated Articles of Incorporation, to increase the number of authorized shares (4) |
| 4.7 | Amendment to Amended and Restated Articles of Incorporation (5) |
| 5.1 | Opinion of Morgan, Lewis & Bockius LLP regarding legality of securities when issued* |
| 23.1 | Consent of Morgan, Lewis & Bockius LLP (included in its opinion filed as Exhibit 5.1 hereto)* |
| 23.2 | Consent of KPMG LLP* |
| 24.1 | Powers of Attorney (included on the signature page)* |

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| | |
|---|---|
| * | Filed herewith. |
| ** | To be filed by amendment. |
| (1) | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 1992, (Exhibit No. 3.1). |
| (2) | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 1996, (Exhibit Nos. 3.3, and 3.4). |
| (3) | Incorporated by reference from the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997, (Exhibit No. 3.6). |
| (4) | Incorporated by reference from the Registrant's Registration Statement on Form S-4 filed on September 11, 1998 (Annex E to the Amended and Restated Agreement and Plan of Merger Dated as of August 5, 1998 By and Among Philadelphia Suburban Corporation, Consumers Acquisition Company and Consumers Water Company). |
| (5) | Incorporated by reference from the Registrant's definitive Proxy Statement filed on March 31, 2000 dated April 10, 2000 (Annex A). |



Item 17. Undertakings

The undersigned registrant hereby undertakes:

(1) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities

at that time shall be deemed to be the initial bona fide offering thereof.

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

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

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



SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bryn Mawr, Commonwealth of Pennsylvania, on this 3rd day of August, 2000.

PHILADELPHIA SUBURBAN CORPORATION

By: /s/ Nicholas DeBenedictis
---
Nicholas DeBenedictis
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Each person in so signing also makes, constitutes and appoints Roy H. Stahl and David P. Smeltzer and each of them acting alone, his true and lawful attorney-in-fact, with full power of substitution, to execute and cause to be filed with the Securities and Exchange Commission pursuant to the requirements of the Securities Act of 1933, as amended, any and all amendments and post-effective amendments to this Registration Statement, and including any Registration Statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act, with exhibits thereto and other documents in connection therewith, and hereby ratifies and confirms all that said attorney-in-fact or his substitute or substitutes may do or cause to be done by virtue hereof.

| Signature | Title | Date |
|---|---|---|

| --- | --- | --- |
| /s/ Nicholas DeBenedictis<br>Nicholas DeBenedictis | Director, Chairman and Chief Executive Officer (Principal Executive Officer) | August 3, 2000 |
| /s/ David P. Smeltzer<br>David P. Smeltzer | Senior Vice President -- Finance and Treasurer (Principal Financial and Accounting Officer) | August 3, 2000 |
| /s/ Mary C. Carroll<br>Mary C. Carroll | Director | August 3, 2000 |
| /s/ G. Fred DiBona, Jr.<br>G. Fred DiBona, Jr. | Director | August 3, 2000 |
| /s/ Richard H. Glanton, Esq.<br>Richard H. Glanton, Esq. | Director | August 3, 2000 |
| /s/ Richard J. Heckmann<br>Richard J. Heckmann | Director | August 3, 2000 |



| | | |
|---|---|---|
| /s/ Alan R. Hirsig<br>Alan R. Hirsig | Director | August 3, 2000 |
| /s/ John F. McCaughan<br>John F. McCaughan | Director | August 3, 2000 |
| /s/ John E. Menario<br>John E. Menario | Director | August 3, 2000 |
| /s/ John E. Palmer, Jr.<br>John E. Palmer, Jr. | Director | August 3, 2000 |
| /s/ Andrew D. Seidel<br>Andrew D. Seidel | Director | August 3, 2000 |
| ----------<br>Richard L. Smoot | Director | , 2000 |
| /s/ Robert O. Viets<br>Robert O. Viets | Director | August 3, 2000 |

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* Filed herewith.

** To be filed by amendment.

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Exhibit 4.2

# BYLAWS
# OF
# PHILADELPHIA SUBURBAN CORPORATION
(a Pennsylvania Corporation)

## ARTICLE I
## Offices and Fiscal Year

Section 1.01. Registered Office. The registered office of the corporation in the Commonwealth of Pennsylvania, which is in Montgomery County, shall be at 762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010 until otherwise established by an amendment of the articles of incorporation (the Articles) or by the board of directors, and a statement of such change is filed with the Department of State in the manner provided by law.

Section 1.02. Other Offices. The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or the business of the corporation may require.

Section 1.03. Fiscal Year. The fiscal year of the corporation shall begin on the first day of January in each year.

## ARTICLE II

## Notice - Waivers - Meetings Generally

Section 2.01. Manner of Giving Notice.

(a) General rule. Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class mail or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission, to the address (or to the telex, TWX or facsimile number) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of facsimile transmission, when received. A notice of a meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

(b) Bulk mail. If the corporation has more than 30 shareholders, notice of any regular or special meeting of the shareholders, or any other notice required by the Business Corporation Law or by the articles or these bylaws to be given to all shareholders or to all holders of a class or series of shares, deposited in the United States mail at least 20 days prior to the day named for the meeting or any corporate or shareholder action specified in the notice.

(c) Adjourned shareholder meetings. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting in which event notice shall be given in accordance with Section 2.03.

Section 2.02. Notice of Meetings of Board of Directors. Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX or facsimile transmission) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice

by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 2.03. Notice of Meetings of Shareholders.

(a) General rule. Written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary or other authorized person to each shareholder of record entitled to vote at the meeting, at least 20 days prior to the day named for the meeting. If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.

(b) Notice of action by shareholders on bylaws. In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice of a copy of the proposed amendment or a summary of the changes to be effected thereby.

(c) Notice of action by shareholders on fundamental change. In the case of a meeting of the shareholders that has as one of its purposes action with respect to any fundamental change under 15 Pa.C.S. Chapter 19, each shareholder shall be given, together with written notice of the meeting, a copy or summary of the amendment or plan to be considered at the meeting in compliance with the provisions of Chapter 19.

(d) Notice of action by shareholders giving rise to dissenters rights. In the case of a meeting of the shareholders that has as one of its purposes action that would give rise to dissenters rights under the provisions of 15 Pa.C.S. Subchapter 15D, each shareholder shall be given, together with written notice of the meeting:

(1) a statement that the shareholders have a right to dissent and obtain payment of the fair value of their shares by complying with the provisions of Subchapter 15D (relating to dissenters rights); and

(2) a copy of Subchapter 15D.

Section 2.04. Waiver of Notice.

(a) Written waiver. Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice of such meeting.

(b) Waiver by attendance. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting, except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.



Section 2.05. Modification of Proposal Contained in Notice. Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying language or other amendments as do not enlarge its original meaning.

Section 2.06. Exception to Requirement of Notice.

(a) General rule. Whenever any notice or communication is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action and

communication with that person is then unlawful, the giving of the notice or communication to that person shall not be required.

(b) Shareholders without forwarding addresses. Notice or other communications shall not be sent to any shareholder with whom the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

Section 2.07. Use of Conference Telephone and Similar Equipment. Any director may participate in any meeting of the board of directors, and the board of directors may provide by resolution with respect to a specific meeting or with respect to a class of meetings that one or more persons may participate in a meeting of the shareholders of the corporation by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

## ARTICLE III

## Shareholders

Section 3.01. Place of Meeting. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the board of directors in the notice of such meeting.

Section 3.02. Annual Meeting. The board of directors may fix the date and time of the annual meeting of the shareholders, but if no such date and time is fixed by the board the meeting for any calendar year shall be held on the Second Thursday of May in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 10:00 o'clock A.M., and at said meeting the shareholders entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting shall not have been called and held within six months after the designated time, any shareholder may call such meeting at any time thereafter.

Section 3.03. Special Meetings. Special meetings of the shareholders may be called at any time by the chairman, the president, or shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast at the particular meeting, or by resolution of the board of directors. Any authorized person who has called a special meeting may fix the date, time and place of the meeting. If the person who has called the meeting does not fix the date, time or place of the meeting, it shall be the duty of the secretary to do so. A date fixed by the secretary shall not be more than 60 days after receipt of the request.

Section 3.04. Quorum and Adjournment.

(a) General rule. A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast on the particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.



(b) Withdrawal of a quorum. The shareholders present at a duly organized meeting can continue to do business until adjournment, notwithstanding withdrawal of enough shareholders to leave less than a quorum.

(c) Adjournments generally. Any regular or special meeting of the shareholders, including one at which directors are to be elected and one which cannot be organized because a quorum has not attended, may be adjourned for such period and to such place as the shareholders present and entitled to vote shall

direct. At any such adjourned meeting at which a quorum may be present such business may be transacted as might have been transacted at the meeting as originally called. No notice of any adjourned meeting of the shareholders of the corporation shall be required to be given except by announcement at the meeting at which the adjournment took place. In case of any meeting called for the election of directors, those who attend the second of such adjourned meetings, although less than a quorum, shall nevertheless constitute a quorum for the purpose of electing directors. Any meeting at which directors are to be elected shall be adjourned only from day to day, or for such longer periods not exceeding 15 days each, as may be directed by shareholders who are present in person or by proxy and who are entitled to cast at least a majority of the votes which all such shareholders would be entitled to cast at an election of directors, until such directors are elected.

Section 3.05. Action by Shareholders. Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, the acts, at a duly organized meeting, of the shareholders present, in person or by proxy, entitled to cast at least a majority of the votes which all shareholders present in person or by proxy are entitled to cast shall be the acts of the shareholders.

Section 3.06. Organization. At every meeting of the shareholders, the chairman of the board, if there be one, or in the case of vacancy in office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by vote of the shareholders present shall act as chairman of the meeting. The secretary, or, in the absence of the secretary, an assistant secretary, or in the absence of both the secretary and assistant secretaries, a person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 3.07. Voting Rights of Shareholders. Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

Section 3.08. Voting and Other Action by Proxy.

(a) General rule.

(1) Every shareholder entitled to vote at a meeting of shareholders may authorize another person to act for the shareholder by proxy.

(2) The presence of, or vote or other action at a meeting of shareholders by a proxy of a shareholder shall constitute the presence of, or vote or other action by the shareholder.

(3) When two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Minimum requirements. Every proxy shall be executed in writing by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the secretary of the corporation. A telegram, telex, cablegram, datagram or similar transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact:

(1) may be treated as properly executed for purposes of this subsection; and



(2) shall be so treated if it sets forth a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.

(c) Revocation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution, unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the secretary of the corporation.

(d) Expenses. The corporation shall pay the reasonable expenses of solicitation of votes, proxies or consents of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

Section 3.09. Voting by Fiduciaries and Pledgees. Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

Section 3.10. Voting by Joint Holders of Shares.

(a) General rule. Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:

(1) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and

(2) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.

(b) Exception. If there has been filed with the secretary of the corporation a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the document latest in date of operative effect so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

Section 3.11. Voting by Corporations.

(a) Voting by corporate shareholders. Any corporation that is a shareholder of this corporation may vote at the meetings of shareholders of this corporation by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the board of directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.

(b) Controlled shares. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.



Section 3.12. Determination of Shareholders of Record.

(a) Fixing record date. The board of directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, any such meeting,

which time, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date so fixed shall be so entitled notwithstanding any transfer of any shares on the books of the corporation after any such record date fixed as provided in this subsection. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

(b) Determination when a record date is not fixed. If a record date is not fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given.

(2) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

(c) Certification by nominee. The board of directors may adopt a procedure whereby a shareholder of the corporation may certify in writing to the corporation that all or a portion of the shares registered in the name of the shareholder are held for the account of a specified person or persons. Upon receipt by the corporation of a certification complying with the procedure, the persons specified in the certification shall be deemed, for the purposes set forth in the certification, to be the holders of record of the number of shares specified in the place of the shareholder making the certification.

Section 3.13. Voting Lists.

(a) General rule. The officer or agent having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof except that, if the corporation has 5,000 or more shareholders, in lieu of the making of the list of the corporation may make the information therein available at the meeting by any other means.

(b) Effect of list. Failure to comply with the requirements of this section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. The original transfer book, or a duplicate thereof kept in Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or transfer records or to vote at any meeting of shareholders.

Section 3.14. Judges of Election.

(a) Appointment. In advance of any meeting of shareholders of the corporation, the board of directors may appoint judges of election, who need not be shareholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of any such meeting may, and upon the demand of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be either one or three, as determined, in the case of judges appointed upon demand of a shareholder, by shareholders present entitled to cast a majority of the votes which all shareholders present are entitled to cast thereon. No person who is a candidate for office to be filled at the meeting shall act as a judge.



(b) Vacancies. In case any person appointed as judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting, or at the meeting by the presiding officer thereof.

(c) Duties. The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies,

receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the nominations by shareholders or the right to vote, count and tabulate all votes, determine the result, and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

(d) Report. On request of the presiding officer of the meeting, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 3.15. Consent of Shareholders in Lieu of Meeting. Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders of the corporation may be taken without a meeting only upon the unanimous written consent of all the shareholders who would be entitled to vote thereon at a meeting of the shareholders called to consider the matter.

Section 3.16. Minors as Security Holders. The corporation may treat a minor who holds shares or obligations of the corporation as having capacity to receive and to empower others to receive dividends, interest, principal and other payments or distributions, to vote or express consent or dissent and to make elections and exercise rights relating to such shares or obligations unless, in the case of payments or distributions on shares, the corporate officer responsible for maintaining the list of shareholders or the transfer agent of the corporation or, in the case of payments or distributions on obligations, the treasurer or paying officer or agent has received written notice that the holder is a minor.

Section 3.17. Business to be Transacted at Shareholder Meetings. No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the board of directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any shareholder of the corporation (i) who is a shareholder of record on the date of the giving of notice provided for in Section 3.17 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 3.17. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the secretary of the corporation.

To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the shareholder, in order to be timely, must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was first mailed.

To be in proper written form, a shareholder's notice to the secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder, (iii) the class or series and number of shares of capital stock of the corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 3.17; provided, however, that once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 3.17 shall be deemed to preclude discussion by any shareholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

At a special meeting of shareholders, only such business shall be conducted as shall have been set forth in the notice relating to the meeting. At any meeting, matters incident to the conduct of this meeting may be voted upon or otherwise disposed of as the presiding officer of the meeting shall determine to be appropriate.

## ARTICLE IV

## Board of Directors

Section 4.01. Powers; Personal Liability.

(a) General rule. Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors.

(b) Personal liability of directors. A director of the corporation shall not be personally liable for monetary damages, as such, for any action taken, or any failure to take any action, unless the director has breached or failed to perform the duties of his or her office under 42 Pa.C.S. Section 8363 [now a reference to 15 Pa.C.S. Subch. 17B] and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of a director pursuant to any criminal statute, or the liability of a director for the payment of taxes pursuant to local, state or Federal law. The provisions of this subsection shall be effective January 27, 1987, but shall not apply to any action filed prior to that date nor any breach of performance of duty or failure of performance of duty by a director occurring prior to that date.

(c) Notation of dissent. A director of the corporation who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken shall be presumed to have assented to the action taken on which the director is generally competent to act unless his or her dissent is entered in the minutes of the meeting or unless the director files his or her written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

Section 4.02. Qualification and Election of Directors.

(a) Qualifications. Each director of the corporation shall be a natural person of full age, who need not be a resident of Pennsylvania or a shareholder of the corporation. No person shall be appointed or elected as a director unless:

(1) such person is elected to fill a vacancy in the board of directors (including any vacancy resulting from any accordance with section 4.04(a); or

(2) the name of such person, together with such consents and information as may be required by the board of directors or by the provisions of section 4.13(b) shall have been filed with the secretary of the corporation.

(b) Election of directors. Except as otherwise provided in the articles or these bylaws, directors of the corporation shall be elected by the shareholders. In elections for directors, voting need not be by ballot, except upon demand made by a shareholder entitled to vote at the election and before

the voting begins. The candidates receiving the highest number of votes from



each class or group of classes, if any, entitled to elect directors separately up to the number of directors to be elected by the class or group of classes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

Section 4.03. Number and Term of Office.

(a) Number. The board of directors shall consist of such number of directors as may be determined from time to time by resolution of the board adopted by a vote of three quarters of the entire board of directors.

(b) Term of office. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor shall have been elected and qualified, or until his or her death, resignation or removal. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director.

(c) Resignations. Any director may resign at any time by giving written notice to the corporation. Such resignation shall take effect on the date of the receipt by the corporation of such notice or at any later time specified therein.

(d) Classified board of directors. The directors shall be classified in respect of the time for which they shall severally hold office as follows:

(1) Each class shall be as nearly equal in number as possible.

(2) The term of office of at least one class shall expire in each year.

(3) The members of each class shall be elected for a period of three years.

Section 4.04. Vacancies.

(a) General rule. Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a vote of a majority of the entire board of directors, or by sole remaining director, and such person so elected shall hold office until the election of the class for which such directors shall have been elected and until a successor shall have been elected and qualified, or until their death, resignation or removal.

(b) Action by resigned directors. When one or more directors resign from the board effective at a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 4.05. Removal of Directors.

(a) Removal by the directors. At any special meeting called for the purpose of removing or electing directors, the entire board of directors, or any class of the board, where the board is classified with respect to the power to elect directors, or any individual director may be removed from office without assigning any cause, as provided in the articles. In case the board or such class of the board or any one or more directors be so removed, new directors may be elected at the same meeting.

(b) Removal by the board. The board of directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if within 60 days after notice of his or her selection, the director does not accept the office either in writing or by attending a meeting of the board of directors.

Section 4.06. Place of Meeting. The board of directors may hold its meetings at such place or places within the Commonwealth of Pennsylvania, or

elsewhere as the board of directors may from time to time appoint, or as may be designated in the notice calling the meeting.

Section 4.07. Organization Meeting. At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a



vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by a majority of the directors present, shall act as chairman of the meeting. The secretary, or, in the absence of the secretary, an assistant secretary, or in the absence of the secretary and assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary of the meeting.

Section 4.08. Regular Meetings. Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

Section 4.09. Special Meetings. Special meetings of the board of directors shall be held whenever called by the chairman or by two or more of the directors.

Section 4.10. Quorum of and Action by Directors.

(a) General rule. A majority of the directors in office shall be necessary to constitute a quorum for the transaction of business and, except as otherwise provided in the articles or these bylaws, the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the board of directors.

(b) Action by written consent. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation.

Section 4.11. Executive and Other Committees.

(a) Establishment and powers. The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees, to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have the power or authority as to the following:

(1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.

(2) The creation or filling of vacancies in the board of directors.

(3) The adoption, amendment or repeal of these bylaws.

(4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.

(5) Action on matters committed by a resolution of the board of directors to another committee of the board.

(b) Alternate committee members. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee or for the purpose of any written action by the committee. In the absence or disqualification of a member and the alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another director to act at the meeting in the place of the absent or disqualified member.

(c) Term. Each committee of the board shall serve at the pleasure of the board.

(d) Committee procedures. The term Aboard of directors or Aboard, when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.



Section 4.12. Compensation. The board of directors shall have the authority to fix the compensation of directors for their services as directors and a director may be a salaried officer of the corporation.

Section 4.13. Nomination of Directors.

(a) Notice required. Nominations for election of directors may be made by any shareholder entitled to vote for the election of directors, provided that written notice (the Notice) of such shareholder's intent to nominate a director at the meeting is given by the shareholder and received by the secretary of the corporation in the manner and within the time specified herein. The Notice shall be delivered to the secretary of the corporation not less than 14 days nor more than 50 days prior to any meeting of the shareholders called for the election of directors; provided, however, that if less than 21 days notice of the meeting is given to shareholders, the Notice shall be delivered to the secretary of the corporation not later than the earlier of the seventh day following the day on which notice of the meeting was first mailed to shareholders or the fourth day prior to the meeting. In lieu of delivery to the secretary of the corporation, the Notice may be mailed to the secretary of the corporation by certified mail, return receipt requested, but shall be deemed to have been given only upon actual receipt by the secretary of the corporation.

(b) Contents of notice. The notice shall be in writing and shall contain or be accompanied by:

(1) the name and residence of such shareholder;

(2) a representation that the shareholder is a holder of record of the corporation's voting stock and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the Notice;

(3) such information regarding each nominee as would have been required to be included in a proxy statement filed pursuant to Regulation 14A of the rules and regulations established by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (or pursuant to any successor act or regulation) had proxies been solicited with respect to such nominee by the management or board of directors of the corporation;

(4) a description of all arrangements or understandings among the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which such nomination or nominations are to be made by the shareholder; and

(5) the consent of each nominee to serve as director of the corporation if so elected.

(c) Determination of compliance. If a judge or judges of election shall not have been appointed pursuant to these bylaws, the chairman of the meeting may, if the facts warrant, determine and declare to the meeting that any nomination made at the meeting was not made in accordance with the foregoing procedures and, in such event, the nomination shall be disregarded. Any decision by the chairman of the meeting shall be conclusive and binding upon all shareholders of the corporation for any purpose.

(d) Exception. The above procedures of this section shall not apply to nominations with respect to which proxies shall have been solicited pursuant to a proxy statement filed pursuant to Regulation 14A of the rules and regulations adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, or pursuant to any successor act or regulation.

## ARTICLE V

## Officers

Section 5.01. Officers Generally.

(a) Number, qualifications and designation. The officers of the corporation shall be a president, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the



provisions of Section 5.03. Officers may, but need not be, directors or shareholders of the corporation. The president and secretary shall be natural persons of full age. The treasurer may be a corporation, but if a natural person shall be of full age. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who shall be officers of the corporation. Any number of offices may be held by the same person.

(b) Resignations. Any officer may resign at any time by giving written notice to the corporation. Any such resignation shall be effective at the date of the receipt thereof by the corporation or at any later time specified therein.

(c) Bonding. The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

(d) Standard of care. In lieu of the standards of conduct otherwise provided by law, officers of the corporation shall be subject to the same standards of conduct, including standards of care and loyalty and rights of justifiable reliance, as shall at the time be applicable to directors of the corporation. An officer of the corporation shall not be personally liable, as such, to the corporation or its shareholders for monetary damages (including, without limitation, any judgment, amount paid in settlement, penalty, punitive damages or expense of any nature (including, without limitation, attorneys fees and disbursements) for any action taken, or any failure to take any action, unless the officer has breached or failed to perform the duties of his or her office under the articles, these bylaws, or the applicable provisions of law and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of an officer pursuant to any criminal statute or for the payment of taxes pursuant to local, state or federal law.

Section 5.02. Election and Term of Office. The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03, shall be elected annually by the board of directors, and each such officer shall hold office for a term of one year and until a successor shall have been duly chosen and qualified, or until his or her death, resignation, or removal.

Section 5.03. Subordinate Officers, Committees and Agents. The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents. Any delegation by the board of directors of the power to elect, retain or appoint subordinate officers, committees, employees or other agents, shall be deemed to include the power to remove such subordinate.

Section 5.04. Removal of Officers and Agents. Any officer or agent of the corporation may be removed by the board with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5.05. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, may be filled by the board of directors or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 5.03, as the case may be, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 5.06. Authority. All officers of the corporation as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors, or, in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

Section 5.07. The Chairman and Vice Chairman of the Board. The chairman of the board, or, in the absence of the chairman, the vice chairman of the board, shall preside at all meetings of shareholders and of the board of directors, and shall perform such other duties as may from time to time be requested by the board of directors.



Section 5.08. The President. The president shall be the chief executive officer of the corporation and shall have general supervision over the business and operations of the corporation, subject, however, to the control of the board of directors. The president shall sign, execute, and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors or these bylaws, to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of president and such other duties as from time to time may be assigned by the board of directors.

Section 5.09. The Vice Presidents. The vice presidents shall perform the duties of the president in the absence of the president and such other duties as may from time to time be assigned to them by the board of directors or the president.

Section 5.10. The Secretary. The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and all committees thereof and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors, the chairman or the president.

Section 5.11. The Treasurer. The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors or the president.

Section 5.12. Salaries. The salaries of the officers elected by the board of directors shall be fixed from time to time by the board of directors or by such officer as may be designated by resolution of the board. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the officer or committee to which the power to elect such officers or to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

## ARTICLE VI

## Certificates of Stock, Transfer, Etc.

Section 6.01. Share Certificates. Certificates for shares of the corporation shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of the Commonwealth of Pennsylvania, the name of the person to whom issued, and the

number and class of shares and the designation of the series (if any) that the certificate represents. The share transfer records and the blank share certificates shall be kept by the secretary or by any transfer agency or registrar designated by the board of directors for that purpose.

Section 6.02. Issuance. The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be signed by the president or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer, and shall bear the corporate seal, which may be a facsimile, engraved or printed; but where such certificate is signed by a transfer agent or a registrar the signature of any corporate officer upon such certificate may be a facsimile, engraved or printed. In case any officer, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon any share certificate shall have ceased to be such officer, transfer agent or registrar because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer, transfer agent or registrar had not ceased to be such at the date of



its issue. The provisions of this Section 6.02 shall be subject to any inconsistent or contrary agreement in effect at the time between the corporation and any transfer agent or registrar.

Section 6.03. Transfer. Transfers of shares shall be made on the share register or transfer books of the corporation upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. No transfer shall be made inconsistent with the provisions of the Uniform Commercial Code, 13 Pa.C.S. " 8101 et seq., and its amendments and supplements.

Section 6.04. Record Holder of Shares. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.05. Lost, Destroyed or Mutilated Certificates. The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate, or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction, and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

Section 6.06. Rights Agreement. Rights issued pursuant to the Rights Agreement, dated February 19, 1988, between the corporation and Mellon Bank (East) N.A. (the "Rights Agreement") may be transferred by an Acquiring Person or an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agreement) only in accordance with the terms of, and subject to the restrictions contained in, the Rights Agreement.

## ARTICLE VII

## Indemnification of Directors, Officers, Etc.

Section 7.01. Scope of Indemnification.

(a) The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise, by reason of the fact that such person is or was serving in an indemnified capacity, including without limitation liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except where such indemnification is expressly prohibited by applicable law or where the conduct of the indemnified representative has been determined pursuant to Section 7.06 to constitute willful misconduct or recklessness within the meaning of 42 Pa. C.S. Section 8365(b) [now a reference to 15 Pa.C.S. Section

1746(b)] or any superseding provision of the law, sufficient in the circumstances to bar indemnification against liabilities arising from the conduct.

(b) If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify such indemnified representative to the maximum extent for such portion of the liabilities.

(c) The termination of a proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the indemnified representative is not entitled to indemnification.

(d) For purposes of this Article:

(1) "indemnified capacity" shall mean any and all past, present and future service by an indemnified representative in one or more capacities as a director, officer, employee or agent of the corporation, or, at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;



(2) "indemnified representative" shall mean any and all directors and officers of the corporation and any other person specifically designated as an indemnified representative by the board of directors of the corporation under these bylaws (which may, but need not, include any person serving at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise);

(3) "liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorney's fees and disbursements); and

(4) "proceeding" means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

Section 7.02. Proceedings Initiated by Indemnified Representatives. Notwithstanding any other provisions of this Article, the corporation shall not indemnify under this Article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counter-claims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceedings is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office. This section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending an arbitration under Section 7.06 of this Article or otherwise successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this Article.

Section 7.03. Advancing Expenses. The corporation shall pay the expenses (including attorney's fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or 7.02 of this Article upon receipt of an undertaking by or on behalf of the indemnified representative to repay such amount if it shall ultimately be determined pursuant to Section 7.06 of this Article that such person is not entitled to be indemnified by the corporation pursuant to this Article. The financial ability of an indemnified representative to repay in advance shall not be a prerequisite to the making of such advance.

Section 7.04. Securing of Indemnification Obligations. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit,

act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the board of directors shall deem appropriate. Absent fraud, the determination of the board of directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and directors and shall not be subject to voidability.

Section 7.05. Payment of Indemnification. An indemnified representative shall be entitled to indemnification within 30 days after a written request for indemnification has been delivered to the secretary of the corporation.

Section 7.06. Arbitration. Any dispute related to the right of indemnification, contribution or advancement of expenses as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 that the corporation has undertaken to submit to a court for adjudication, shall be decided only by arbitration in the metropolitan area in which the corporation's executive offices are located, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association before a panel of three arbitrators, one of whom shall be selected by the corporation, the second of whom shall be selected by the indemnified representative and the third of whom shall be selected by the other two arbitrators. In the absence of the American Arbitration Association or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated, or if the arbitrators selected by the corporation and the indemnified representative cannot agree on the selection of a third arbitrator within 30 days after such time as the corporation and the indemnified representative have each been notified of the selection of the others' arbitrator, the necessary arbitrator or arbitrators shall be selected by



the presiding judge of the court of general jurisdiction in such metropolitan area. Each arbitrator selected as provided herein is required to be or have been a director or executive officer or a corporation whose shares of common stock were listed during at least one year of such service on the New York Stock Exchange or the American Stock Exchange or quoted on the National Association of Securities Dealers Automated Quotation System. The party or parties challenging the right of an indemnified representative to the benefits of this Article shall have the burden of proof. The corporation shall reimburse an indemnified representative for the expenses (including attorney's fees and disbursements) incurred in successfully prosecuting or defending such arbitration. Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable.

Section 7.07. Contribution. If the indemnification provided for in this Article or otherwise is unavailable for any reason, the corporation shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this Article or otherwise.

Section 7.08. Discharge of Duty. An indemnified representative shall be deemed to have discharged such person's duty to the corporation if he or she has relied in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

(1) one or more officers or employees of the corporation whom the indemnified representative reasonably believes to be reliable and competent with respect to the matter presented;

(2) legal counsel, public accountants or other persons as to matters that the indemnified representative reasonably believes are within the person's professional or expert competence; or

(3) a committee of the board of directors on which he or she does not serve as to matters within its area of designated authority, which committee he or she reasonably believes to merit confidence.

Section 7.09. Contract Rights; Amendment or Repeal. All rights to indemnification, contribution and advancement of expense under this Article shall be deemed a contract between the corporation and the indemnified representative pursuant to which the corporation and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

Section 7.10. Scope of Articles. The rights granted by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expense may be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an indemnified capacity and as to action in any other capacity. The indemnification and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be an indemnified representative in respect to matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

Section 7.11. Reliance of Provisions. Each person who shall act as an indemnified representative of the corporation shall be deemed to be doing so in reliance upon the rights provided by this Article.

Section 7.12. Interpretation. The provisions of this Article have been approved and ratified by the shareholders of this corporation and are intended to constitute bylaws authorized by Section 410F of the Pennsylvania Business Corporation Law and 42 Pa. C.S. Section 8365 [now references to 15 Pa.C.S. Section 1746 and 1750].



ARTICLE VIII

Miscellaneous

Section 8.01. Corporate Seal. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors.

Section 8.02. Checks. All checks, notes, bills of exchange or other orders in writing shall be signed by such person or persons as the board of directors or any person authorized by resolution of the board of directors may from time to time designate.

Section 8.03. Contracts.

(a) General rule. Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the board of directors may authorize any officer or officers, agent or agents, to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

(b) Statutory form of execution of instruments. Any note, mortgage, evidence of indebtedness, contract or other document, or any assignment or endorsement thereof, executed or entered into between the corporation and any other person, when signed by the chairman, the president or vice president and secretary or assistant secretary or treasurer or assistant treasurer of the corporation, shall be held to have been properly executed for and in behalf of the corporation, without prejudice to the rights of the corporation against any person who shall have executed the instrument in excess of his or her actual authority.

Section 8.04. Interested Directors or Officers; Quorum.

(a) General rule. A contract or transaction between the corporation and one or more of its directors or officers or between the corporation and any other corporation, partnership, joint venture, trust, or other enterprise in which one or more of its directors or officers are directors or officers, or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the director or officer is present at or

participates in the meeting of the board of directors which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if:

(1) The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum; or

(2) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of those shareholders; or

(3) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the board of directors or the shareholders.

(b) Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors which authorizes a contract or transaction specified in subsection (a).

Section 8.05. Deposits. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositaries as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees as the board of directors shall from time to time designate.



Section 8.06. Corporate Records.

(a) Required records. The corporation shall keep complete and accurate books and records of accounts, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at the registered office of the corporation in the Commonwealth of Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

(b) Right of inspection. Every shareholder shall, upon written verified demand stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business, for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or such other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in the Commonwealth of Pennsylvania or at its principal place of business, wherever situated.

Section 8.07. Amendment of Bylaws. These bylaws may be amended or repealed, or new bylaws may be adopted, either (i) by vote of the shareholders in accordance with the articles at any duly organized annual or special meeting of shareholders, or (ii), with respect to those matters that are not by statute committed expressly to the shareholders and regardless of whether the shareholders have previously adopted or approved the bylaw being amended or repealed, by vote of majority of the board of directors of the corporation in office at any regular or special meeting of directors. Any change in these bylaws shall take effect when adopted unless otherwise provided in the resolution effecting the change. See Section 2.03(b) (relating to notice of action by shareholders on bylaws).

Exhibit 5.1

August 3, 2000

Philadelphia Suburban Corporation
762 Lancaster Avenue
Bryn Mawr, Pennsylvania 19010

Re: Philadelphia Suburban Corporation - Registration Statement on Form S-3

Ladies and Gentlemen:

We have acted as counsel to Philadelphia Suburban Corporation, a Pennsylvania corporation (the "Company"), in connection with the preparation of a registration statement on Form S-3 (the "Registration Statement") filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), relating to the issuance, in a public offering by the Company of up to 1,150,000 shares (the "Shares") of the Company's common stock, par value $.50 per share. We have examined such records, documents, statutes and decisions as we have deemed relevant in rendering this opinion.

Our opinion set forth below is limited to the Business Corporation Law of 1988, as amended, of the Commonwealth of Pennsylvania.

In our opinion, the Shares, when issued and sold as described in the Registration Statement, will be legally issued, fully paid and non-assessable.

We hereby consent to the use of this opinion as Exhibit 5.1 to the Registration Statement and to the reference to our firm under the heading "Legal Matters" contained in the Registration Statement. In giving such opinion, we do not thereby admit that we are acting within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

Morgan, Lewis & Bockius LLP

Exhibit 23.2

The Board of Directors
Philadelphia Suburban Corporation

We consent to incorporation by reference in this Registration Statement on Form S-3 of Philadelphia Suburban Corporation of our report dated January 31, 2000, relating to the consolidated balance sheets and statements of capitalization of Philadelphia Suburban Corporation and subsidiaries as of December 31, 1999 and 1998 and the related consolidated statements of income and comprehensive income and cash flow for each of the years in the three-year period ended December 31, 1999, which report is included in the December 31, 1999 Annual Report on Form 10-K of Philadelphia Suburban Corporation which is incorporated by reference in this registration statement on Form S-3.

We also consent to the reference to our firm under the heading "Experts" appearing in this registration statement on Form S-3.

/s/ KPMG LLP
Philadelphia, Pennsylvania

August 3, 2000