

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 2000

Commission File Number 1-6659

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, Pennsylvania

19010 -3489

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(610)-527-8000

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of March 31, 2000

40,927,257

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)

	March 31, 2000	December 31, 1999
	-----	-----
	(Unaudited)	(Audited)
Assets		

Property, plant and equipment, at cost	\$ 1,406,557	\$ 1,393,027
Less accumulated depreciation	259,735	257,663
Net property, plant and equipment	1,146,822	1,135,364
Current assets:		
Cash and cash equivalents	6,481	4,658
Accounts receivable and unbilled revenues, net	44,508	44,399
Inventory, materials and supplies	3,920	3,948
Prepayments and other current assets	4,518	6,520
Total current assets	59,427	59,525
Regulatory assets	58,236	58,287
Deferred charges and other assets, net	25,621	27,629
	\$ 1,290,106	\$ 1,280,805
Liabilities and Stockholders' Equity		
Stockholders' equity:		
6.05% Series B cumulative preferred stock	\$ 1,760	\$ 1,760
Common stock at \$.50 par value, authorized 100,000,000 shares, issued 41,721,366 and 41,627,644 in 2000 and 1999	20,861	20,814
Capital in excess of par value	252,899	251,440
Retained earnings	104,412	101,533
Minority interest	2,605	2,604
Treasury stock, 794,109 and 615,038 shares in 2000 and 1999	(14,665)	(11,270)
Accumulated other comprehensive income	1,366	2,020
Total stockholders' equity	369,238	368,901
Long-term debt, excluding current portion	429,232	413,752
Commitments	-	-
Current liabilities:		
Current portion of long-term debt	12,978	12,194
Loans payable	102,741	103,069
Accounts payable	13,291	24,286
Accrued interest	9,068	8,994
Accrued taxes	15,601	12,689
Other accrued liabilities	22,689	22,581
Total current liabilities	176,368	183,813
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	137,597	136,528
Customers' advances for construction	57,203	59,494
Other	6,928	8,434
Total deferred credits and other liabilities	201,728	204,456
Contributions in aid of construction	113,540	109,883
	\$ 1,290,106	\$ 1,280,805

See notes to consolidated financial statements on page 5 of this report.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended March 31,	
	2000	1999
Operating revenues	\$64,510	\$58,597

Costs and expenses:		
Operations and maintenance	24,928	22,725
Depreciation	8,251	7,419
Amortization	270	420
Taxes other than income taxes	5,982	5,588
Restructuring costs	-	3,787
	-----	-----
	39,431	39,939
	-----	-----
Operating income	25,079	18,658
Other expense (income):		
Interest expense, net	9,855	8,091
Allowance for funds used during construction	(734)	(388)
Minority interest	18	15
Gain on sale of marketable securities	(1,061)	-
Merger transaction costs	-	6,334
	-----	-----
Income before income taxes	17,001	4,606
Provision for income taxes	6,728	4,255
	-----	-----
Net income	10,273	351
Dividends on preferred stock	27	35
	-----	-----
Net income available to common stock	\$10,246	\$ 316
	=====	=====
Net income	\$10,273	\$ 351
Other comprehensive income (loss), net of tax	(654)	-
	-----	-----
Comprehensive income	\$ 9,619	\$ 351
	=====	=====
Net income per common share:		
Basic	\$ 0.25	\$ 0.01
	=====	=====
Diluted	\$ 0.25	\$ 0.01
	=====	=====
Average common shares outstanding during the period:		
Basic	40,950	40,771
	=====	=====
Diluted	41,256	41,285
	=====	=====

See notes to consolidated financial statements on page 5 of this report.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)

(UNAUDITED)

	Three Months Ended March 31,	
	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income	\$ 10,273	\$ 351
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	8,521	7,839

Deferred income taxes	1,519	1,204
Gain on sale of marketable securities	(1,061)	-
Net decrease in receivables, inventory and prepayments	2,458	3,757
Net decrease in payables, accrued interest, accrued taxes and other accrued liabilities	(8,826)	(7,353)
Other	68	1,726
Net cash flows from operating activities	12,952	7,524
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of \$734 and \$388	(19,691)	(19,357)
Proceeds from the sale of marketable securities	2,814	-
Acquisitions of water systems	-	(145)
Other	90	(1,333)
Net cash flows used in investing activities	(16,787)	(20,835)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	897	897
Repayments of customers' advances	(1,620)	(1,360)
Net proceeds (repayments) of short-term debt	(328)	8,445
Proceeds from long-term debt	16,515	12,066
Repayments of long-term debt	(520)	(1,156)
Redemption of preferred stock	-	(1,460)
Proceeds from issuing common stock	1,613	2,024
Repurchase of common stock	(3,502)	(790)
Dividends paid on preferred stock	(27)	(35)
Dividends paid on common stock	(7,367)	(7,521)
Other	(3)	-
Net cash flows from financing activities	5,658	11,110
Net increase (decrease) in cash and cash equivalents	1,823	(2,201)
Cash and cash equivalents at beginning of period	4,658	8,247
Cash and cash equivalents at end of period	\$ 6,481	\$ 6,046

See notes to consolidated financial statements on page 5 of this report.

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)

	March 31, 2000	December 31, 1999
	(Unaudited)	(Audited)
Stockholders' equity:		
6.05% Series B cumulative preferred stock	\$ 1,760	\$ 1,760
Common stock, \$.50 par value	20,861	20,814
Capital in excess of par value	252,899	251,440
Retained earnings	104,412	101,533
Minority interest	2,605	2,604
Treasury stock	(14,665)	(11,270)
Accumulated other comprehensive income	1,366	2,020
Total stockholders' equity	369,238	368,901
Long-term debt:		
First Mortgage Bonds secured by utility plant:		
Interest Rate Range		
0.00% to 2.49%	852	858
2.50% to 4.99%	1,592	824
5.00% to 5.49%	2,200	2,200
5.50% to 5.99%	31,545	31,545
6.00% to 6.49%	127,210	127,210
6.50% to 6.99%	55,200	55,200

7.00% to 7.49%	53,000	38,000
7.50% to 7.99%	23,000	23,000
8.00% to 8.49%	16,500	16,500
8.50% to 8.99%	9,000	9,003
9.00% to 9.49%	53,695	53,695
9.50% to 9.99%	50,725	51,220
10.00% to 10.55%	6,000	6,000
	-----	-----
Total First Mortgage Bonds	430,519	415,255
Notes payable to banks under revolving credit agreements, due June 2000	10,200	9,200
	-----	-----
Installment note payable, 9%, due in equal annual payments through 2013	1,491	1,491
	-----	-----
Current portion of long-term debt	442,210	425,946
	12,978	12,194
	-----	-----
Long-term debt, excluding current portion	429,232	413,752
	-----	-----
Total capitalization	\$ 798,470	\$ 782,653
	=====	=====

See notes to consolidated financial statements on page 5 of this report.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 1 Basis of Presentation

The accompanying consolidated balance sheet and statement of capitalization of Philadelphia Suburban Corporation ("PSC") at March 31, 2000, the consolidated statements of income and comprehensive income and cash flow for the three months ended March 31, 2000 and 1999, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and therefore, should be read in conjunction with the PSC Annual Report on Form 10-K for the year ended December 31, 1999. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year.

Note 2 Water Rates

On April 27, 2000, the Pennsylvania Public Utility Commission approved a rate settlement reached between PSC's Pennsylvania utility subsidiaries, and the parties actively litigating the joint rate application filed in October 1999. The settlement was designed to increase annual revenue by \$17,000 or 9.4% over the level in effect at the time of the filing. The rates in effect at the time of the filing included \$7,347 in Distribution System Improvement Charges ("DSIC") ranging from 0.33% to 5%. Consequently, the settlement resulted in a total base rate increase of \$24,347 or 13.5%. As a part of the settlement, the DSIC was reset to zero and PSC agreed not to file a base rate increase request prior to April 29, 2001, absent extraordinary circumstances.

In March 2000, an operating division of Consumers Water Company's ("CWC") Illinois operating subsidiary settled one rate case resulting in an aggregate annual revenue increase of approximately \$400. In addition, rate applications have been filed in 2000 by other CWC operating divisions in Illinois,

Maine and New Jersey. The additional annual revenue requested is \$6,282 and decisions are anticipated by the first quarter of 2001.

Note 3

Long-term Debt and Loans Payable

In January 2000, Philadelphia Suburban Water Company ("PSW") issued a First Mortgage Bond of \$15,000 7.40% Series due 2005 and in April 2000, PSW issued a First Mortgage Bond of \$11,000 7.40% Series due 2005 through the medium-term note program. In February 2000, PSW issued a note payable of \$778 at a rate of 2.84% due 2019. Proceeds from these issues were used to reduce the balance of PSW's revolving credit facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except per share amounts) (continued)
(UNAUDITED)

Note 4

Net Income per Common Share

Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock options is included in the computation of Diluted net income per common share. The following table summarizes the shares, in thousands, used in computing Basic and Diluted net income per common share:

	Three Months Ended March 31,	
	2000	1999
	-----	-----
Average common shares outstanding during the period for Basic computation	40,950	40,771
Dilutive effect of employee stock options	306	514
	-----	-----
Average common shares outstanding during the period for Diluted computation	41,256	41,285
	=====	=====

Note 5

Stockholders' Equity

PSC reports other comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income." The following table summarizes the activity of accumulated other comprehensive income:

	2000	1999
	-----	-----
Balance at January 1,	\$ 2,020	\$ -
Unrealized gains (losses) on sales of marketable securities:		
Unrealized holding loss arising		

during the period, net of tax of \$42	(78)	-
Less: reclassification adjustment for gains included in net income, net of tax of \$409	(576)	-

Balance at March 31,	\$ 1,366	\$ -
	=====	

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In thousands of dollars, except per share amounts)

Forward-looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contains, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things, our use of cash; projected capital expenditures; liquidity; as well as information contained elsewhere in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans" or similar expressions. These statements are based on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control. Actual results may differ materially from such statements for a number of reasons, including the effects of regulation, abnormal weather, changes in capital requirements and funding, and acquisitions. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

General Information

Philadelphia Suburban Corporation ("we" or "us"), a Pennsylvania corporation, is the 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 Company ("PSW"), 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 Company ("CWC"), a holding company for several regulated public utility companies that provide water or wastewater service 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 United States based on the number of customers. In addition, PSW and CWC provide water service to approximately 25,000 people through operating and maintenance contracts with municipal authorities and other parties in proximity to the operating company's service territory. Subsidiaries of PSW and CWC provide wastewater services (primarily residential) to approximately 28,000 people in Pennsylvania, Illinois and New Jersey.

Financial Condition

During the quarter, we had \$19,691 of capital expenditures, repurchased \$3,502 of common stock, repaid \$1,620 of customer advances for construction and made sinking fund contributions of \$520. Of the total capital expenditures during the quarter, \$1,960 was related to the construction of a new water treatment plant. The balance of capital expenditures was related to new tanks, boosters, valves, new water mains and customer service lines and the rehabilitation of existing water mains, hydrants and customer service lines.

During the quarter, the proceeds from the issuance of long-term debt, proceeds from the issuance of common stock, internally generated funds, available working capital and funds available under the revolving credit agreements were used to fund the cash requirements discussed above and to pay dividends. In January

2000, PSW issued a First Mortgage Bond of \$15,000 7.40% Series due 2005 through the medium-term note program. In February 2000, PSW issued a note payable of \$778 2.84% Series due 2019. In April 2000, PSW issued a First Mortgage Bond of \$11,000 7.40% Series due 2005. Proceeds from these issues were used to reduce the balance of PSW's revolving credit facility.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)
(In thousands of dollars, except per share amounts)

At March 31, 2000, we had short-term lines of credit of \$161,800, of which \$59,059 was available. At March 31, 2000, CWC has a \$20,000 revolving credit agreement of which \$9,800 was available.

On April 27, 2000, the Pennsylvania Public Utility Commission approved a rate settlement reached between PSC's Pennsylvania utility subsidiaries, and the parties actively litigating the joint rate application filed in October 1999. The settlement was designed to increase annual revenue by \$17,000 or 9.4% over the level in effect at the time of the filing. The rates in effect at the time of the filing included \$7,347 in Distribution System Improvement Charges ("DSIC") ranging from 0.33% to 5%. Consequently, the settlement resulted in a total base rate increase of \$24,347 or 13.5%. As a part of the settlement, the DSIC was reset to zero and PSC agreed not to file a base rate increase request prior to April 29, 2001, absent extraordinary circumstances.

Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common stock are adequate to meet our financing requirements for the balance of the year and beyond.

Results of Operations

Analysis of First Quarter of 2000 Compared to First Quarter of 1999

Revenues for the quarter increased \$5,913 or 10.1% primarily due to revenues from the Distribution System Improvement Charge ("DSIC") in Pennsylvania, increased water sales and additional water revenues associated with acquisitions. The DSIC provided \$1,735 of additional revenues over the prior year. The improvement in water sales is due to an increase in customer consumption. The additional revenues from acquisitions result primarily from the Bensalem water system acquired in December 1999.

Operations and maintenance expenses increased by \$2,203 or 9.7% due to higher maintenance expenses, additional operating costs associated with the Bensalem acquisition and increased wage and administrative expenses. The increased maintenance expenses at PSW resulted from an increased number of main breaks, particularly during January 2000. Offsetting these increases in part, was a reduction in general corporate expenses related to the closing of CWC's corporate office in March 1999.

Depreciation expense increased \$832 or 11.2% reflecting the utility plant placed in service since the first quarter of 1999, including the assets acquired through system acquisitions.

Amortization decreased \$150 primarily due to the completion of the amortization of the costs associated with, and the other costs being recovered in various rate filings.

Taxes other than income taxes increased by \$394 or 7.1% due to an increase in the Pennsylvania Public Utility Realty Tax in 2000 and a refund recognized in the first quarter of 1999 for regulatory assessments associated with a prior year.

During the first quarter of 1999, a charge of \$3,787 was recorded for restructuring costs that includes severance of \$2,940 and costs associated with the closing of CWC's corporate office. At March 31, 2000, there was a balance of

\$300 remaining related to this restructuring.

Interest expense increased by \$1,764 or 21.8% primarily due to increased borrowings to finance fourth quarter of 1999 acquisitions, on-going capital projects and, to a lesser extent, increased interest rates on borrowings.

Allowance for funds used during construction increased by \$346 primarily due to an increase in the average balance of utility plant construction work in progress resulting from the construction of a \$35,000 water treatment plant at one of CWC's Pennsylvania subsidiaries. Construction commenced on this facility in December 1997 and is expected to be completed in the second quarter of 2000.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)
(In thousands of dollars, except per share amounts)

During the first quarter of 2000, gains on the sale of marketable securities of \$1,061 were recorded. There were no marketable securities sold in 1999.

During the first quarter of 1999, we recorded a charge of \$6,334 for transaction costs associated with the merger of CWC consummated on March 10, 1999. The charge represents the fees for investment bankers, attorneys, accountants, and other administrative charges.

Our effective income tax rate was 39.6% in the first quarter of 2000 and 92.4% in the first quarter of 1999. The effective tax rate decreased due to the estimated non-deductible portion of the \$6,334 of merger transaction costs recorded in the first quarter of 1999. Exclusive of the merger transaction costs and related tax benefits of \$200, the first quarter 1999 effective income tax rate would have been 40.7%.

Dividends on preferred stock decreased \$8 or 22.9% due to the redemption in January 1999 of 14,600 shares of preferred stock. The preferred shares were redeemed at the liquidation value of \$100 per share.

Net income available to common stock for the quarter increased by \$9,930, in comparison to 1999 primarily as a result of the 1999 after-tax charge of \$8,596, net of tax, for restructuring and transaction costs associated with the merger of CWC and the other factors described above. On a diluted per share basis, earnings increased \$.24 reflecting the change in net income.

Impact of Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," and in June 1999 amended this standard by issuing SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. SFAS No. 133 requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. SFAS 137 changed the timing of the implementation of SFAS No. 133. We plan to adopt these statements in 2001 as required. As of March 31, 2000, we had no derivative instruments or hedging activities.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

Part II. Other Information

Item 1. Legal Proceedings

There are no pending legal proceedings to which the Registrant or any of its subsidiaries is a party or to which any of their properties is the subject that present a reasonable likelihood of a material adverse impact on the Registrant. Reference is made to Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 1999, which is included by a reference herein.

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits
- | Exhibit No. | Description |
|-------------|-------------------------|
| 27 | Financial Data Schedule |
- (b) Reports on Form 8-K
- None.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be executed on its behalf by the undersigned thereunto duly authorized.

May 12, 2000

PHILADELPHIA SUBURBAN CORPORATION

Registrant

/s/ Nicholas DeBenedictis

Nicholas DeBenedictis
Chairman and President

/s/ David P. Smeltzer

David P. Smeltzer
Senior Vice President - Finance
and Chief Financial Officer

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES
EXHIBIT INDEX

Exhibit No.	Description	Page No.
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<LEGEND>

This schedule contains summary financial information extracted from the consolidated balance sheets and the statements of capitalization at March 31, 2000, and the consolidated statements of income and comprehensive income and the consolidated statements of cash flow for the three months ended March 31, 2000, and is qualified in its entirety by reference to such financial statements.

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