

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 September 30, 1995

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 Lancaster Avenue, Bryn Mawr, Pennsylvania

19010

-----  
(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  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of September 30, 1995.

12,072,988

PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In thousands of dollars)

	September 30, 1995 ----- (Unaudited)	December 31, 1994 ----- (Audited)
Property, plant and equipment, at cost	\$514,743	\$462,500
Less accumulated depreciation	89,458	76,791
Net property, plant and equipment	425,285	385,709
Current assets		
Cash	6,359	(636)
Accounts receivable, net	21,917	19,303
Inventory, materials and supplies	1,943	1,696
Prepayments and other current assets	1,001	594
Total current assets	31,220	20,957
Regulatory assets	48,515	48,334
Deferred charges and other assets, net	5,429	3,183
	\$510,449	\$458,183
	=====	=====
Common stockholders' equity	\$153,594	\$143,795
Preferred stock of subsidiary with mandatory redemption requirements	5,714	7,143

Long-term debt, excluding current portion	189,975	152,195
Commitments	-	-
Current liabilities		
Current portion of preferred stock of subsidiary with mandatory redemption requirements	1,429	2,857
Current portion of long-term debt	887	887
Loans payable	6,515	4,050
Accounts payable	2,662	5,626
Accrued interest	4,412	3,346
Other accrued liabilities	12,751	9,912
Net reserves related to discontinued operations	2,544	2,701
Total current liabilities	31,200	29,379
Deferred credits and other liabilities		
Deferred income taxes and investment credits	70,252	67,721
Customers' advances for construction	25,181	24,713
Other non-current liabilities	10,333	11,028
Total deferred credits and other liabilities	105,766	103,462
Contributions in aid of construction	24,200	22,209
	\$510,449	\$458,183
	=====	=====

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

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share amounts)

(UNAUDITED)

	Nine Months Ended	
	September 30,	
	1995	1994
	-----	-----
Earned revenues	\$86,894	\$80,428
Costs and expenses		
Operating expenses	37,916	36,568
Depreciation	8,524	7,793
Amortization	(43)	(150)
Taxes other than income taxes	5,775	5,418
	52,172	49,629
	-----	-----
Operating income	34,722	30,799
Interest and debt expenses	10,972	9,633
Dividends on preferred stock	476	649
Allowance for funds used during construction	(168)	(80)
	-----	-----
Income before income taxes	23,442	20,597
Provision for income taxes	9,736	8,716
	-----	-----
Net income	\$13,706	\$11,881
	=====	=====
Net income per share	\$ 1.15	\$ 1.03
	=====	=====
Average common and common equivalent shares outstanding during the period	11,889	11,522
	=====	=====

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

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended September 30,	
	1995	1994
Earned revenues	\$32,355	\$28,849
Costs and expenses		
Operating expenses	13,793	12,511
Depreciation	2,949	2,628
Amortization	(41)	9
Taxes other than income taxes	1,928	1,788
	18,629	16,936
Operating income	13,726	11,913
Interest and debt expenses	3,872	3,239
Dividends on preferred stock	154	216
Allowance for funds used during construction	(79)	(37)
Income before income taxes	9,779	8,495
Provision for income taxes	4,047	3,598
Net income	\$ 5,732	\$ 4,897
Net income per share	\$ .48	\$ .42
Average common and common equivalent shares outstanding during the period	12,022	11,620

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

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW  
(In thousands of dollars)

(UNAUDITED)

	Nine Months Ended September 30,	
	1995	1994
Cash flows from operating activities		
Net income	\$13,706	\$11,881
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	8,481	7,643
Deferred taxes, net of taxes on customers' advances	2,277	2,582
Net increase in receivables, inventory and prepayments	(2,337)	(2,303)

Net decrease in payables and other accrued liabilities	(235)	(837)
Net increase in accrued interest	1,066	430
Other	(1,439)	126
	-----	-----
Net cash flows from operating activities	21,519	19,522
	-----	-----
Cash flows from investing activities		
Property, plant and equipment additions, including allowance for funds used during construction of \$168 and \$80	(20,337)	(17,023)
Acquisitions of water systems	(25,788)	-
Other	(19)	66
	-----	-----
Net cash flows from investing activities	(46,144)	(16,957)
	-----	-----
Cash flows from financing activities		
Customers' advances and contributions in aid of construction, net of income tax payments	1,575	2,273
Repayments of customers' advances	(1,651)	(1,785)
Net borrowings of short-term debt	2,465	671
Proceeds of long-term debt	46,015	7,758
Repayments of long-term debt	(9,708)	(4,850)
Redemption of preferred stock of subsidiary	(2,857)	-
Proceeds from issuing common stock	6,546	5,311
Repurchases of common stock	(411)	(2,056)
Dividends paid	(10,042)	(9,379)
Other	(155)	(145)
	-----	-----
Net cash flows from financing activities	31,777	(2,202)
	-----	-----
Net cash flows to discontinued operations	(157)	234
	-----	-----
Net increase in cash	6,995	597
Cash deficit beginning of year	(636)	(868)
	-----	-----
Cash balance (deficit) at end of period	\$ 6,359	\$ (271)
	=====	=====

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)

#### Note 1 Basis of Presentation

The accompanying consolidated balance sheet of Philadelphia Suburban Corporation at September 30, 1995, the consolidated statements of income for the nine months and quarter ended September 30, 1995 and 1994, and the consolidated cash flow statements for the nine months ended September 30, 1995 and 1994 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 at September 30, 1995, 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 Annual Report on Form 10-K for the year ended December 31, 1994 and the Quarterly Reports on Form 10-Q for the quarters ended June 30, 1995 and March 31, 1995.

#### Note 2 Water Rates

In October 1995, the Pennsylvania Public Utility Commission ("PUC") approved a rate settlement that Philadelphia Suburban Water Company (PSW) reached with the parties (the Office of Consumer Advocate, the PUC Office of Trial Staff and the Office of Small Business Advocate) actively participating in litigating the rate application PSW filed in April 1995. The settlement is designed to increase annual water revenues by \$6,150, or approximately 5.3%, effective October 27, 1995. As

a part of the settlement agreement, PSW agreed not to file for a new general rate increase prior to April 26, 1996, absent extraordinary circumstances.

In addition to its base rates, PSW has utilized a credit on its customers' water bills to reflect certain reductions in Pennsylvania State taxes until such time as the tax changes are incorporated into base rates. The credit, 1.04% prior to the rate settlement, was eliminated with the adoption of new base rates on October 27, 1995.

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PHILADELPHIA SUBURBAN CORPORATION AND SUBSIDIARIES

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

Note 3                   Acquisitions

In May 1995, PSW purchased the water utility and related assets of Media Borough ("Media"). Revenues related to Media were \$1,262 for the quarter and \$1,775 since the date of acquisition.

During the quarter, PSW purchased the water utility assets of two smaller water systems for a combined purchase price of \$67. These systems serve customers within the boundaries of PSW's existing service territory and have combined annual operating revenues of approximate \$40. In addition, PSW continues to hold discussions with the owners of several other water systems that are near or adjacent to PSW's service territory. If PSW is successful in acquiring these systems, the acquisitions would likely be funded primarily through the issuance of long-term debt and preferred stock of the Company.

Note 4                   Long-Term Debt

On August 31, 1995, PSW issued \$22,000 in First Mortgage Bonds 6.35% Series due 2025 as security for an equal amount of Bonds issued by the Delaware County Industrial Development Authority. The proceeds from these bonds are restricted to funding the costs of certain capital projects. As of September 30, 1995, the Trustee for this issue held \$5.4 million in an interest bearing account pending completion of the remainder of the projects financed with this issue. The amount held by the Trustee is included in the balance sheet as cash. It is expected that these projects will be completed by the third quarter of 1996, however funds will be drawn from the trust during the interim as expenditures are made on these projects.

On August 1, 1995 PSW redeemed \$8,000 of First Mortgage Bonds 13% Series due 2005. The premium on the early retirement of 6.1% or \$488 was paid and will be deferred and amortized in accordance with the Uniform System of Accounts prescribed by the PUC over the life of the First Mortgage Bonds issued during the second quarter of 1995.

The effect of the redemption on the Company's sinking fund payments for the next five years is to reduce the total payments by \$800 in each year from 1995 through the year 2000.

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

Philadelphia Suburban Corporation (the Company or PSC) is composed of two businesses, a regulated water utility (Philadelphia Suburban Water Company or PSW), and a non-regulated data processing service bureau (Utility & Municipal Services, Inc. or UMS). The operations of UMS are not significant to the financial results of the Company and, therefore, are not discussed separately. Corporate expenses include administrative expenses of a general nature.

Financial Condition

During the first nine months of 1995, the Company acquired the water utility assets of the Borough of Media ("Media") and two smaller water systems for a combined price of \$25,778 in cash, made \$20,337 of expenditures related to routine utility capital improvements and replacements, repaid \$1,651 of customer advances for construction and redeemed \$2,857 of Preferred Stock. In addition, the Company made \$850 in sinking fund payments on long-term debt and, in August, called \$8,000 of First Mortgage Bonds 13% Series at a premium of 6.1% or \$488.

During this period, internally generated funds, available working capital, funds available under the revolving credit facility, and funds obtained from the proceeds of common stock and long-term debt were sufficient to fund the cash requirements discussed above, and to pay dividends. Proceeds from the issuance of common stock, primarily through the Company's Customer Stock Purchase Plan and the Dividend Reinvestment and Optional Stock Purchase Plan amounted to approximately \$6,546.

In August 1995, PSW issued \$22,000 of First Mortgage Bonds 6.35% Series due 2025. These bonds were issued through an Industrial Development Authority and proceeds from the issue are restricted to the funding of certain capital projects. As of September 30, 1995, \$5,428 of proceeds from this issue are being held by the trustee in an interest bearing account pending completion of the projects. It is expected that all projects financed by this issue will be completed by the third quarter of 1996. Proceeds received at closing were unrestricted since the Company has already funded an equal amount towards the completion of the projects, prior to closing.

During the second quarter of 1995, PSW issued \$15,000 First Mortgage Bonds 7.72% Series due 2025 and \$10,000 First Mortgage Bonds 6.82% Series due 2005.

In May 1995, PSW temporarily increased its revolving credit facility from \$30,000 to \$40,000 until the end of August 1995. During this period the maximum amount outstanding was \$37,200. At September 30, 1995, PSW had \$11,000 available under its revolving credit facility and the Company and PSW had \$2,485 and \$1,000 respectively, available under short-term lines of credit.

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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)

Traditionally, PSW has financed its ongoing construction program and other financial requirements separately from PSC. PSW's ability to finance its future construction program and pay dividends to the Company depends on its ability to attract the necessary external financing and to maintain or increase internally generated funds. Rate increases and regulatory support will continue to be required to allow PSW to achieve a level of earnings necessary to attract capital, to maintain satisfactory debt coverage ratios and to provide shareholders an adequate return on their investment.

Management believes that internally generated funds along with the existing credit facilities, the issuance of long-term debt and proceeds from the issuance of common stock, primarily through the Company's Customer Stock Purchase Plan

and the Dividend Reinvestment and Optional Stock Purchase Plan are adequate to meet the Company's financing requirements for the balance of the year and beyond.

#### Results of Operations

##### Analysis of First Nine Months of 1995 Compared to First Nine Months of 1994

Revenues increased \$6,466 or 8.0% primarily due to the 9.05% rate increase granted PSW in June 1994, additional water revenues associated with the Media water system, and an increase, during the third quarter, in water sales.

Operating expenses increased by \$1,348 or 3.7% due to higher employee benefit expenses, expenses associated with the recently acquired Media water system and increased wages, offset partially by a reduction in maintenance and production costs. Employee benefit expenses increased as a result of the recognition of \$816 of increased costs for Postretirement Benefits Other than Pensions computed under Statement of Financial Accounting Standards No. 106 in conjunction with the June 1994 rate increase. The decrease in maintenance and production costs was a result of the effects of the milder winter weather experienced in 1995. The effects of the severe winter weather in 1994 caused significant maintenance and production cost increases estimated at \$800 over normal winter costs. Production costs also decreased as a result of reductions in the quantity of water purchased from other water utilities due to the completion of certain water mains that allow more Company-produced water to be distributed to areas that previously required supplemental sources.

Depreciation increased by \$731 or 9.4% reflecting the impact of utility plant placed in service since June 1994, including the Media acquisition. Depreciation was approximately 2.3% of average utility plant in service in both the first nine months of 1995 and 1994.

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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)

Amortization was a credit of \$43 compared to a credit of \$150 in the first nine months of 1994, a change of \$107. The change is primarily due to \$211 of additional negative goodwill amortization associated with the December 1992 acquisitions of two water systems that was recognized in 1994 in conjunction with the June 1994 rate settlement.

Taxes other than income taxes increased by \$357 or 6.6% primarily due to increases in the Pennsylvania Capital Stock Tax associated with increased equity, a higher Pennsylvania Public Utility Realty Tax Assessment resulting from the Media acquisition and increased state regulatory taxes and employment taxes.

Dividends on preferred stock decreased by \$173 or 26.7% as a result of the redemption of 28,570 preferred shares in January 1995.

Interest expense increased by \$1,339 or 13.9% reflecting higher interest rates on borrowings under the Company's revolving credit facilities and an increase in the average amount of borrowings outstanding. The increase in borrowings were used to fund the Media acquisition and ongoing capital projects.

Allowance for funds used during construction ("AFUDC") increased by \$88 primarily due to a higher AFUDC rate and an increase in the average balance of Construction Work in Progress ("CWIP") to which AFUDC is applied. The increase in CWIP is associated with two projects that have a relatively long construction duration. The AFUDC rate increased in connection with the higher interest rate on the revolving credit facility.

The Company's effective income tax rate was 41.5% in 1995 and 42.3% in 1994. The decrease in the effective tax rate is due primarily to a 1% reduction in the Pennsylvania Corporate Net Income tax rate.

Net income increased \$1,825 or 15.4% primarily due to increased revenues, partially offset by higher operating and interest expenses, depreciation, amortization and taxes other than income taxes. On a per share basis, earnings increased \$.12 or 11.7% reflecting the improvement in net income offset by a 3.2% increase in the average number of shares outstanding. The increased number of shares outstanding reflects shares sold since the third quarter of 1994 through the Customer Stock Purchase Plan and the Dividend Reinvestment and Optional Stock Purchase Plan.

#### Analysis of Third Quarter of 1995 Compared to Third Quarter of 1994

Revenues for the quarter increased \$3,506 or 12.2% primarily due to an increase in water sales associated with the hot, dry weather experienced during the summer of 1995 and to revenues associated with the Media water system.

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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)

Operating expenses increased \$1,282 or 10.2% primarily as a result of increases in wages, production costs and expenses associated with the Media water system. The increase in wages reflects normal merit increases and the impact of the improved operating results on employee incentive programs. Production costs rose due to the increase in the volume of water sold and a slight decline in raw water quality which required additional treatment.

Depreciation increased by \$321 or 12.2% reflecting the impact of utility plant placed in service since the third quarter of 1994, including the Media acquisition. Depreciation was approximately 2.3% of average utility plant in service in both the third quarter of 1995 and 1994, respectively.

Amortization was a credit of \$41 as compared to a charge of \$9 in 1994 primarily due to the completion in the second quarter of 1995 of the amortization of the costs associated with the June 1994 rate increase, offset in part by a decrease in the aforementioned amortization of negative goodwill.

Taxes other than income taxes increased \$140 or 7.8% as a result of increases in the Pennsylvania Capital Stock Tax associated with increased equity, a higher Pennsylvania Public Utility Realty Tax Assessment resulting from the Media acquisition and due to increased employment taxes.

Interest expense increased \$633 or 19.5% reflecting higher interest rates on the short-term credit facilities and an increased level of borrowings. The increase in borrowings were used to fund the Media acquisition and ongoing capital projects.

Dividends on preferred stock decreased \$62 or 28.7% due to the reduced number of preferred stock shares outstanding for the quarter.

Allowance for funds used during construction ("AFUDC") increased by \$42 primarily due to a higher AFUDC rate and to an increase in the average balance of CWIP to which AFUDC is applied. The AFUDC rate increased due to higher interest rates on the revolving credit facility in 1995 as compared to the third quarter of 1994.

The Company's effective income tax rate was 41.4% in 1995 and 42.4% in 1994. The decrease in the effective tax rate is primarily due to a 1% reduction in the Pennsylvania Corporate Net Income tax rate.

Net income for the quarter increased by \$835 or 17.1% principally due to increased water revenues, partially offset by higher interest and operating expenses. Earnings per share, however, increased \$.06 per share or 14.3% due to the higher number of average shares outstanding.

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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)

Recent Events

On September 20, 1995 the Governor of Pennsylvania issued a drought emergency order which mandated certain restrictions on water use, particularly non-essential uses of water. Because the order was issued toward the end of the summer when non-essential and recreational use of water has traditionally decreased, the restrictions are not expected to have a significant impact on revenues. Recent rainfalls have been well above average, and as a result, the Governor eased these restrictions in all but three counties in Pennsylvania, including one county in PSW's service territory. This declaration by the Governor eased the restriction from a drought emergency order to a drought watch, which calls for voluntary restrictions on non-essential water uses. While portions of the Commonwealth of Pennsylvania, particularly those dependant on ground water, experienced water shortages, PSW's water supplies were and continue to be adequate.

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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, 1994, which is included by a reference herein.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit No. -----	Description -----
4.18	Thirtieth Supplemental Indenture dated as of August 15, 1995.
10.13	Bond Purchase Agreement among the Delaware County Industrial Development Authority, Philadelphia Suburban Water Company and Legg Mason Wood Walker, Incorporated dated August 24, 1995.
10.14	Construction and Financing Agreement between the Delaware County Industrial Development Authority and Philadelphia Suburban Water Company dated as of August 15, 1995.
27	Financial Data Schedule

(b) Report 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.

November 14, 1995

PHILADELPHIA SUBURBAN CORPORATION

-----  
Registrant

Nicholas DeBenedictis

-----  
Nicholas DeBenedictis  
Chairman and President

Michael P. Graham

-----  
Michael P. Graham  
Senior Vice President - Finance  
and Treasurer

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EXHIBIT INDEX

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THIRTIETH SUPPLEMENTAL

INDENTURE

DATED AS OF August 15, 1995

TO

INDENTURE OF MORTGAGE

DATED AS OF JANUARY 1, 1941

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PHILADELPHIA SUBURBAN WATER COMPANY

TO

CORESTATES BANK, N.A., as Trustee

-----

\$22,000,000 FIRST MORTGAGE BONDS, 6.35% Series due 2025

THIRTIETH SUPPLEMENTAL INDENTURE

THIRTIETH SUPPLEMENTAL INDENTURE dated as of the fifteenth day of August, 1995, by and between PHILADELPHIA SUBURBAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (the "Company"), party of the first part, and CORESTATES BANK, N.A., a national banking association successor to The Pennsylvania Company for Insurances on Lives and Granting Annuities, and as The Pennsylvania Company for Banking and Trusts, and as The First Pennsylvania Banking and Trust Company, and as First Pennsylvania Bank N.A. (the "Trustee"), party of the second part.

WHEREAS, the Company heretofore duly executed and delivered to The Pennsylvania Company for Insurances on Lives and Granting Annuities, as Trustee, an Indenture of Mortgage dated as of January 1, 1941 (the "Original Indenture"), which by reference is hereby made a part hereof, and in and by the Original Indenture the Company conveyed and mortgaged to the Trustee certain property therein described, to secure the payment of its bonds to be generally known as its "First Mortgage Bonds" and to be issued under the Original Indenture in one or more series as therein provided; and

WHEREAS, on March 29, 1947, concurrently with a merger of Germantown Trust Company into The Pennsylvania Company for Insurances on Lives and Granting Annuities, the name of the surviving corporation was changed to The Pennsylvania Company for Banking and Trusts, on September 30, 1955, concurrently with a merger of The First National Bank of Philadelphia into The Pennsylvania Company for Banking and Trusts, the name of the surviving corporation was changed to The First Pennsylvania Banking and Trust Company, and on June 3, 1974, by amendment to its Articles of Association, The First Pennsylvania Banking and Trust Company was changed and converted into a national bank and concurrently therewith changed its name to First Pennsylvania Bank N.A., and on October 1, 1991, First Pennsylvania Bank N.A. merged with and into The Philadelphia National Bank, which changed its name to CoreStates Bank, N.A., such mergers and changes of name not involving any change in the title, powers, rights or duties of the Trustee, as trustee under the Original Indenture as supplemented at the respective dates thereof; and

WHEREAS, the Company duly executed and delivered to the Trustee a First Supplemental Indenture dated as of July 1, 1948, a Second Supplemental Indenture dated as of July 1, 1952, a Third Supplemental Indenture dated as of November 1,

1953, a Fourth Supplemental Indenture dated as of January 1, 1956, a Fifth Supplemental Indenture dated as of March 1, 1957, a Sixth Supplemental Indenture dated as of May 1, 1958, a Seventh Supplemental Indenture dated as of September 1, 1959, an Eighth Supplemental Indenture dated as of May 1, 1961, a Ninth Supplemental Indenture dated as of April 1, 1962, a Tenth Supplemental Indenture

dated as of March 1, 1964, an Eleventh Supplemental Indenture dated as of November 1, 1966, a Twelfth Supplemental Indenture dated as of January 1, 1968, a Thirteenth Supplemental Indenture dated as of June 15, 1970, a Fourteenth Supplemental Indenture dated as of November 1, 1970, a Fifteenth Supplemental Indenture dated as of December 1, 1972, a Sixteenth Supplemental Indenture dated as of May 15, 1975, a Seventeenth Supplemental Indenture dated as of December 15, 1976, an Eighteenth Supplemental Indenture dated as of May 1, 1977, a Nineteenth Supplemental Indenture dated as of June 1, 1980, a Twentieth Supplemental Indenture dated as of August 1, 1983, a Twenty-First Supplemental Indenture dated as of August 1, 1985, a Twenty-Second Supplemental Indenture dated as of April 1, 1986, a Twenty-Third Supplemental Indenture dated as of April 1, 1987, a Twenty-Fourth Supplemental Indenture dated as of June 1, 1988, a Twenty-Fifth Supplemental Indenture dated as of January 1, 1990, a Twenty-Sixth Supplemental Indenture dated as of November 1, 1991, a Twenty-Seventh Supplemental Indenture dated as of June 1, 1992, a Twenty-Eighth Supplemental Indenture dated as of April 1, 1993, and a Twenty-Ninth Supplemental Indenture dated as of March 1, 1995, to subject certain additional property to the lien of the Original Indenture and to provide for the creation of additional series of bonds; and

WHEREAS, the Company has issued under the Original Indenture, as supplemented at the respective dates of issue, thirty-five series of First Mortgage Bonds designated, respectively, as set forth in the following table, the Indenture creating each series and the principal amount of bonds thereof issued being indicated opposite the designation of such series:

Designation -----	Indenture -----	Amount -----
3 1/4% Series due 1971	Original	\$16,375,000
9 5/8% Series due 1975	Thirteenth Supplemental	10,000,000
9.15% Series due 1977	Fourteenth Supplemental	10,000,000
3% Series due 1978	First Supplemental	2,000,000
3 3/8% Series due 1982	Second Supplemental	4,000,000
3.90% Series due 1983	Third Supplemental	5,000,000
3 1/2% Series due 1986	Fourth Supplemental	6,000,000
4 1/2% Series due 1987	Fifth Supplemental	4,000,000
4 1/8% Series due 1988	Sixth Supplemental	4,000,000
5% Series due 1989	Seventh Supplemental	4,000,000
4 5/8% Series due 1991	Eighth Supplemental	3,000,000
4.70% Series due 1992	Ninth Supplemental	3,000,000
6 7/8% Series due 1993	Twelfth Supplemental	4,500,000
4.55% Series due 1994	Tenth Supplemental	4,000,000
10 1/8% Series due 1995	Sixteenth Supplemental	10,000,000
5 1/2% Series due 1996	Eleventh Supplemental	4,000,000
7 7/8% Series due 1997	Fifteenth Supplemental	5,000,000
8.44% Series due 1997	Twenty-Third Supplemental	12,000,000
9.20% Series due 2001	Seventeenth Supplemental	7,000,000

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8.40% Series due 2002	Eighteenth Supplemental	10,000,000
5.95% Series due 2002	Twenty-Seventh Supplemental	4,000,000
12.45% Series due 2003	Twentieth Supplemental	10,000,000
13% Series due 2005	Twenty-First Supplemental	8,000,000
10.65% Series due 2006	Twenty-Second Supplemental	10,000,000
9.89% Series due 2008	Twenty-Fourth Supplemental	5,000,000
7.15% Series due 2008	Twenty-Eighth Supplemental	22,000,000
9.12% Series due 2010	Twenty-Fifth Supplemental	20,000,000
8 7/8% Series due 2010	Nineteenth Supplemental	8,000,000
6.50% Series due 2010	Twenty-Seventh Supplemental	3,200,000
9.17% Series due 2011	Twenty-Sixth Supplemental	5,000,000
9.93% Series due 2013	Twenty-Fourth Supplemental	5,000,000

9.97% Series due 2018	Twenty-Fourth Supplemental	5,000,000
9.17% Series due 2021	Twenty-Sixth Supplemental	8,000,000
9.29% Series due 2026	Twenty-Sixth Supplemental	12,000,000
Medium Term Note Series and	Twenty-Ninth Supplemental	100,000,000(1);

WHEREAS, the Original Indenture and said Supplemental Indentures were duly recorded in the Commonwealth of Pennsylvania on the dates and in the office for the Recording of Deeds for the following counties in the Mortgage Books and at the pages indicated in the following table:

[Continued on Next Page]

1 \$100,000,000 in aggregate principal amount of bonds is authorized for issuance under the Twenty-Ninth Supplemental Indenture, in one or more subseries, each constituting a separate series under the Indenture. As of the date of execution and delivery of this Thirtieth Supplemental Indenture, \$15,000,000 in aggregate principal amount of bonds has been issued and is outstanding under the Twenty-Ninth Supplemental Indenture.

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COUNTY									
Indenture	Date of Recording	Bucks		Chester		Delaware		Montgomery	
		Book	Page	Book	Page	Book	Page	Book	Page
Original	2/20/41	496	1	H- 13.Vol.30 7	20	1034	1	1625	1
First Supplemental	8/26/48	632	1	F- 16.Vol.38 0	200	1668	169	2031	257
Second Supplemental	7/1/52	768	438	18.Vol.42 5	186	1962	376	2360	517
Third Supplemental	11/25/53	895	1	18.Vol.44 2	325	2052	1	2493	1
Fourth Supplemental	1/9/56	1089	155	Z- 20.Vol.49 9	1	2199	1	2722	425
Fifth Supplemental	3/20/57	1181	316	B- 22.Vol.53 6	601	2294	50	2850	335
Sixth Supplemental	5/9/58	1254	1	G-23	201	2380	039	2952	289
Seventh Supplemental	9/25/59	1332	509	B-25	109	2442	1	3090	249
Eighth Supplemental	5/9/61	-	-	Z-26	17	2526	312	-	-
Eighth Supplemental	5/10/61	1409	225	-	-	-	-	3249	289
Ninth Supplemental	4/10/62	1458	372	G-28	126	2581	463	3307	169
Tenth Supplemental	3/19/64	1568	1	M-30	967	2976	1043	3310	237
Eleventh Supplemental	11/4/66	1655	695	Q-32	6682	762	223	3549	129
Twelfth Supplemental	1/23/68	1691	531	N-33	219	2792	708	3542	315
Thirteenth Supplemental	7/2/70	1763	1167	D-35	80	2850	301	3687	23
Fourteenth Supplemental	11/5/70	1774	331	K-35	713	2858	3113	700	548
Fifteenth Supplemental	12/11/72	1869	196	O-37	998	2926	550	3786	96
Sixteenth Supplemental	5/28/75	1979	14	E-44	77	3005	511	4010	307
Seventeenth Supplemental	12/18/77	2072	683	L-51	1	3072	43	5002	436
Eighteenth Supplemental	4/29/77	2082	567	B-52	344	3078	728	5003	291
Nineteenth	6/23/80	2303	714	J-62	92	3261	293	5030	502

Supplemental									
Twentieth Supplemental	8/2/83	2487	370	D-72	1	96	810	5662	1045
Twenty-First Supplemental	8/27/85	2690	806	54	550	-	-	5864	1347
Twenty-First Supplemental	8/28/85	-	-	-	-	264	159	-	-
Twenty-Second Supplemental	4/22/86	2774	160	263	275	326	592	5944	360

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COUNTY

Indenture	Date of Recording	Bucks		Chester		Delaware		Montgomery	
		Book	Page	Book	Page	Book	Page	Book	Page
Twenty-Third Supplemental	4/1/87	2960	693	-	-	-	-	-	-
Twenty-Third Supplemental	4/2/87	-	-	680	337	447	1807	6115	602
Twenty-Fourth Supplemental	7/25/88	3199	1095	1224	389	0593	0585	6324	143
Twenty-Fifth Supplemental	1/12/90	0136	0250	1848	205	731	1571	6538	376
Twenty-Sixth Supplemental	11/8/91	369	2190	2660	205	894	2241	6780	891
Twenty-Seventh Supplemental	6/29/92	0487	1829	3055	182	0969	2023	6918	302
Twenty-Eighth Supplemental	4/22/93	0652	1335	3542	1542	1081	0852	7112	0539
Twenty-Ninth Supplemental	3/30/95	1045	1872	3875	1368	1349	0829	7561	1155

and

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WHEREAS, all of the bonds of each of said series are presently outstanding other than the bonds listed on Exhibit A attached hereto and made a part hereof; and

WHEREAS, the lien of the Original Indenture as supplemented has been perfected as a security interest under the Pennsylvania Uniform Commercial Code by filing a financing statement in the office of the Secretary of the Commonwealth; and

WHEREAS, the Company proposes to create under the Original Indenture, as supplemented by this Thirtieth Supplemental Indenture, a new series of bonds to be designated "First Mortgage Bonds, 6.35% Series due 2025" (herein referred to as the "Bonds") to be limited in aggregate principal amount to \$22,000,000, to be issued only as registered bonds without coupons, to be dated as provided in the Original Indenture, to bear interest at the rate of 6.35% per annum, and to mature on August 15, 2025; and

WHEREAS, in order to finance the cost of acquiring, constructing, installing and equipping facilities for the furnishing of water, in the counties of Bucks, Chester, Delaware and Montgomery, which are to be financed under a Construction and Financing Agreement dated as of August 15, 1995 (the "Financing Agreement") between the Company and the Delaware County Industrial Development Authority, a Pennsylvania body politic and corporate (the "Authority"), and which are described in Exhibit A thereto, less any deletions therefor and together with any additions, improvements and modifications thereto and substitutions therefor made in accordance with the provisions of the Financing

Agreement (the "Facilities"), the Company has requested the Authority to issue a new series of bonds to be known as the Authority's Water Facilities Revenue Bonds (Philadelphia Suburban Water Company), Series of 1995 in the aggregate principal amount of \$22,000,000 (the "Authority Bonds"); and

WHEREAS, the Authority Bonds are to be issued under a Trust Indenture, dated as of August 15, 1995 (the "Authority Indenture"), between the Authority and PNC Bank, National Association, as trustee (the "Authority Trustee"); and

WHEREAS, the Bonds are to be issued by the Company to secure the obligation of the Company to pay to or for the account of the Authority an amount equal to the principal of, redemption premium, if any, and interest on the Authority Bonds pursuant to the Financing Agreement between the Authority and the Company; and

WHEREAS, the right, title and interest of the Authority in and to the Financing Agreement and the payments thereunder and the security for such payments are to be assigned by the Authority to the Authority Trustee, and the Bonds are to be delivered by the Company on behalf of the Authority directly to the Authority Trustee, as assignee, as security for the payment of the principal of, redemption premium, if any, and interest on, the Authority Bonds; and

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WHEREAS, Article XVIII of the Original Indenture provides that the Company, when authorized by resolution of its Board of Directors, may with the Trustee enter into an indenture supplemental to the Original Indenture, which thereafter shall form a part of the Original Indenture, for the purposes, inter alia, of subjecting to the lien of the Original Indenture additional property, of defining the covenants and provisions applicable to any bonds of any series other than the 3 1/4% Series due 1971, of adding to the covenants and agreements of the Company contained in the Original Indenture other covenants and agreements thereafter to be observed by the Company, of surrendering any right or power in the Original Indenture reserved to or conferred upon the Company, and of making such provisions in regard to matters or questions arising under the Original Indenture as may be necessary or desirable and not inconsistent therewith; and

WHEREAS, in addition to the property described in the Original Indenture and the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, Fifteenth, Sixteenth, Seventeenth, Eighteenth, Nineteenth, Twentieth, Twenty-First, Twenty-Second, Twenty-Third, Twenty-Fourth, Twenty-Fifth, Twenty-Sixth, Twenty-Seventh, Twenty-Eighth and Twenty-Ninth Supplemental Indentures, the Company has acquired certain other property and desires to confirm the lien of the Original Indenture thereon; and

WHEREAS, the Company, by proper corporate action, has duly authorized the creation of said new series of Bonds (to be issued in accordance with the terms and provisions of the Original Indenture and indentures supplemental thereto, including this Thirtieth Supplemental Indenture, and to be secured by said Original Indenture and indentures supplemental thereto, including this Thirtieth Supplemental Indenture) and has further duly authorized the execution, delivery and recording of this Thirtieth Supplemental Indenture setting forth the terms and provisions of the Bonds insofar as said terms and provisions are not set forth in said Original Indenture; and

WHEREAS, the Bonds and the Trustee's certificate upon said Bonds are to be substantially in the forms following - the proper amount, names of registered owners and numbers to be inserted therein, and such appropriate insertions, omissions and changes to be made therein as may be required or permitted by this Indenture to conform to any pertinent law or usage:

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PHILADELPHIA SUBURBAN WATER  
COMPANY

(Incorporated under the Laws of the Commonwealth  
of Pennsylvania)

First Mortgage Bond, \_\_\_\_% Series Due 2025

Philadelphia Suburban Water Company, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to \_\_\_\_\_ or its registered assigns, on the fifteenth day of August, 2025, at the corporate trust office of CoreStates Bank, N.A. in the City of Philadelphia, Pennsylvania, the sum of \_\_\_\_\_ in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts and to pay interest thereon at said office to the registered owner hereof by draft or check of the Trustee mailed to such registered owner from the interest payment date next preceding the date of this Bond (or if this Bond be dated prior to February 15, 1996, from the date hereof) until the principal hereof shall become due and payable, at the rate of \_\_\_\_\_ percent (\_\_\_\_%) per annum, payable semiannually in like coin or currency on the fifteenth day of August and the fifteenth day of February in each year, commencing February 15, 1996 and to pay interest on overdue principal (including any overdue required or optional prepayment of principal) and premium, if any, and, to the extent legally enforceable, on any overdue installment of interest at a rate of \_\_\_\_ per annum after maturity whether by acceleration or otherwise until paid.

The interest so payable will (except as otherwise provided in the Thirtieth Supplemental Indenture referred to herein) be calculated on the basis of a 360-day year of twelve 30- day months and be paid to the person in whose name this Bond (or a Bond or Bonds in exchange for which this Bond was issued) is registered at the close of business on the last day of the calendar month next preceding the month in which the interest payment date occurs or, if such day is not a business day, on the next preceding business day (a "record date") and principal, premium, if any, and interest on this Bond shall be paid in accordance with written payment instructions of the registered owner delivered to the Trustee (defined below) on or before such record date.

The provisions of the Bond are continued on the reverse hereof and such continued provisions shall for all purposes have the same effect as if fully set forth at this place.

IN WITNESS WHEREOF, Philadelphia Suburban Water Company has caused this Bond to be signed by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated \_\_\_\_\_.

PHILADELPHIA SUBURBAN WATER COMPANY

Attest:

\_\_\_\_\_ By: \_\_\_\_\_

(Assistant) Secretary

Title: \_\_\_\_\_

(Form of Reverse of Bond)

This Bond is one of a duly authorized issue of bonds of the Company known as its First Mortgage Bonds, issued and to be issued without limitation as to aggregate principal amount except as set forth in the Indenture hereinafter mentioned in one or more series and equally secured (except insofar as a sinking

fund or other similar fund established in accordance with the provisions of the Indenture may afford additional security for the bonds of any specific series) by an Indenture of Mortgage (herein called the "Indenture") dated as of January 1, 1941, executed by the Company to The Pennsylvania Company for Insurances on Lives and Granting Annuities (now CoreStates Bank, N.A.), as Trustee (hereinafter called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders and registered owners of the bonds and of the Trustee in respect of such security, and the terms and conditions under which the bonds are and are to be secured and may be issued under the Indenture; but neither the foregoing reference to the Indenture nor any provision of this Bond or of the Indenture or of any indenture supplemental thereto shall affect or impair the obligation of the Company, which is absolute and unconditional, to pay at the stated or accelerated maturity herein and in the Indenture provided, the principal of and interest on this Bond as herein provided. As provided in the Indenture, the

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bonds may be issued in series for various principal amounts, may bear different dates and mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the Bonds described in an indenture supplemental to said Indenture known as the "Thirtieth Supplemental Indenture" dated as of August 15, 1995, and designated therein as "First Mortgage Bonds, \_\_\_\_% Series due 2025 (the "Bonds").

To the extent permitted by and as provided in the Indenture, modifications or alterations of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the holders and registered owners of bonds issued and to be issued thereunder may be made with the consent of the Company by an affirmative vote of the holders and registered owners of not less than 75% in principal amount of bonds then outstanding under the Indenture and entitled to vote, at a meeting of the bondholders called and held as provided in the Indenture, and, in case one or more but less than all of the series of bonds then outstanding under the Indenture are so affected, by an affirmative vote of the holders and registered owners of not less than 75% in principal amount of bonds of any series then outstanding under the Indenture and entitled to vote on and affected by such modification or alteration, or by the written consent of the holders and registered owners of such percentages of bonds; provided, however, that no such modification or alteration shall be made which shall reduce the percentage of bonds the consent of the holders or registered owners of which is required for any such modification or alteration or which shall affect the terms of payment of the principal of or interest on the bonds, or permit the creation by the Company of any lien prior to or on a parity with the lien of the Indenture with respect to any property subject to the lien of the Indenture as a first mortgage lien thereon, or which shall affect the rights of the holders or registered owners of less than all of the bonds of any series affected thereby.

The Bonds have been issued by the Company to secure the obligation of the Company to pay to or for the account of the Authority (defined below) an amount equal to the principal of, and interest on, the Authority Bonds (defined below) pursuant to the Construction and Financing Agreement (the "Financing Agreement"), between the Delaware County Industrial Development Authority, a Pennsylvania body politic and corporate (the "Authority"), and the Company, which Authority Bonds are being issued to finance the cost of acquiring, constructing, installing and equipping facilities for the furnishing of water, in the counties of Bucks, Chester, Delaware and Montgomery, which are to be financed under the Financing Agreement and which are described in Exhibit A thereto, less any deletions therefor and together with any additions, improvements and modifications thereto and substitutions therefor made in

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accordance with the provisions of the Financing Agreement (the "Facilities"). The Facilities are to be financed through the sale of the Authority's Water Facilities Revenue Bonds (Philadelphia Suburban Water Company), Series of 1995, in the aggregate principal amount of \$22,000,000 due August 15, 2025 (the "Authority Bonds").

The Authority Bonds are to be issued under a Trust Indenture, dated as of August 15, 1995 (the "Authority Indenture"), between the Authority and PNC Bank, National Association, as trustee (the "Authority Trustee"). The right, title and interest of the Authority in and to the Financing Agreement and the payments thereunder and the security for such payments have been assigned by the Authority to the Authority Trustee, and the Bonds have been delivered by the Company on behalf of the Authority directly to the Authority Trustee, as assignee, as security for the payment of the principal of, and interest on, the Authority Bonds. The Authority Trustee may not sell, assign or otherwise transfer the Bonds except for a transfer of the entire outstanding principal amount thereof to its successor as Trustee under the Authority Indenture, which successor and each subsequent successor shall hold such Bonds subject to the same restriction on transfer.

In the event any Authority Bonds shall be purchased by the Company and cancelled pursuant to the Authority Indenture, Bonds corresponding in principal amount to the Authority Bonds so purchased and cancelled shall be deemed to be paid in full, and in the event and to the extent the principal of, or interest on, any Authority Bonds is paid out of funds held by the Authority Trustee other than payments on Bonds, the corresponding payment of the principal of, or interest on, an aggregate principal amount of such Authority Bonds shall be deemed to have been satisfied.

In the event this Bond shall be deemed to have been paid in full, this Bond shall be surrendered to the Trustee for cancellation. In the event this Bond shall be deemed to have been paid in part, this Bond shall be presented to the Trustee for notation hereon of the payment of the portion of the principal hereof so deemed to have been paid.

The Bonds are redeemable only as follows:

(a) The Bonds are subject to redemption prior to maturity on or after August 15, 2005, at the option of the Authority, as directed by the Company, out of moneys deposited with or held by the Trustee for such purpose, as a whole or in part, at any time in the manner described below, at the redemption prices (stated as a percentage of the principal amount), as set forth below, of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption:

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Optional Redemption Periods (inclusive) - - - - -	Redemption Prices - - - - -
August 15, 2005 through August 14, 2006	102%
August 15, 2006 through August 14, 2007	101%
August 15, 2007 and thereafter	100%

(a) The Bonds are subject to mandatory redemption as a whole at any time prior to maturity should the Company be required to accelerate the payments of the Authority Bonds pursuant to the provisions of Section 7.02 (a) of the Financing Agreement and 7.01(b)(c) and (d) of the Authority Indenture, if the Trustee shall receive a notice from the Authority or the Authority Trustee that the Bonds are subject to mandatory redemption in accordance with any of such provisions.

(b) The Bonds are also subject to redemption at the option of the Company as a whole at any time or in part from time to time by the application of moneys from the Maintenance or Improvement Deposit provided for in this Thirtieth Supplemental Indenture upon payment of the principal amount thereof, together with, in each such case, unpaid interest accrued to the date fixed for redemption.

(c) The Bonds are also subject to mandatory redemption by the

Company in whole if the Trustee shall receive a written demand from the Authority Trustee for redemption of all such Bonds held by the Authority Trustee stating that an "Event of Default" as defined in Section 9.01 of the Authority Indenture has occurred and is continuing and that payment of the principal of the Authority Bonds has been accelerated pursuant to Section 9.01 of the Authority Indenture, provided that at the time of notice of such redemption as provided in Section 2 of Article V of the Original Indenture (i) said written demand shall not have been withdrawn by the Authority Trustee, and (ii) no event of default under Section 1 of Article XI of the Original Indenture shall have occurred and be continuing.

If this Bond or any portion hereof is called for redemption and payment thereof is duly provided for as specified in the Indenture, interest shall cease to accrue hereon or on such portion, as the case may be, from and after the date fixed for redemption.

The principal hereof may be declared or may become due prior to its maturity date on the conditions, in the manner and with the effect set forth in the Indenture upon the happening of an event of default, as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of Bonds outstanding to annul such declaration.

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This Bond is transferable by the registered owner hereof in person or by attorney duly authorized in writing, on books of the Company to be kept for that purpose at the principal corporate trust office of the Trustee in the City of Philadelphia, Pennsylvania, upon surrender hereof for cancellation at such office and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new Bond or Bonds in authorized denominations, of equal aggregate unpaid principal amount. Any such transfer or exchange shall be subject to the terms and conditions and to the payment of the charges specified in the Indenture.

The Company and the Trustee may deem and treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and the interest hereon, and for all other purposes, and shall not be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or interest on this Bond or for any claim based hereon or otherwise in respect hereof or of the Indenture or of any indenture supplemental thereto against any incorporator or any past, present or future stockholder, officer or director of the Company or of any predecessor or successor corporation, as such, either directly or through the Company, or through any such predecessor or successor corporation or through any receiver or trustee in bankruptcy, by virtue of any constitutional provision, statute or rule of law or equity, or by the enforcement of any assessment or penalty or otherwise; all such liability being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released by every holder or registered owner hereof, as more fully provided in the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose, until CoreStates Bank, N.A., as Trustee under the Indenture, or a successor trustee thereunder, shall have signed the certificate of authentication endorsed hereon.

(Form of Trustee's Certificate)

This Bond is one of the Bonds, of the series designated therein, referred to in the within-mentioned Thirtieth Supplemental Indenture.

CORESTATES BANK, N.A., TRUSTEE

By: \_\_\_\_\_  
Authorized Signer

and;

WHEREAS, all acts and things necessary to make the Bonds, when executed by the Company and authenticated and delivered by the Trustee as in this Thirtieth Supplemental Indenture provided and issued by the Company, valid, binding and legal obligations of the Company, and this Thirtieth Supplemental Indenture a valid and enforceable supplement to said Original Indenture, have been done, performed and fulfilled, and the execution of this Thirtieth Supplemental Indenture has been in all respects duly authorized:

NOW, THEREFORE, THIS THIRTIETH SUPPLEMENTAL INDENTURE WITNESSETH: That, in order to secure the payment of the principal and interest of all bonds issued under the Original Indenture and all indentures supplemental thereto, according to their tenor and effect, and according to the terms of the Original Indenture and of any indenture supplemental thereto, and to secure the performance of the covenants and obligations in said bonds and in the Original Indenture and any indenture supplemental thereto respectively contained, and to provide for the proper issuing, conveying and confirming unto the Trustee, its successors in said trust and its and their assigns forever, upon the trusts and for the purposes expressed in the Original Indenture and in any indenture supplemental thereto, all and singular the estates, property and franchises of the Company thereby mortgaged or intended so to be, the Company, for and in consideration of the premises and of the sum of One Dollar (\$1.00) in hand paid by the Trustee to the Company upon the execution and delivery of this Thirtieth Supplemental Indenture, receipt whereof is hereby acknowledged, and of other good and valuable consideration, has granted, bargained, sold, aliened, enfeoffed, released and confirmed and by these presents does grant, bargain, sell, alien, enfeoff, release and confirm unto CoreStates Bank, N.A., as Trustee, and to its successors in said trust and its and their assigns forever:

All and singular the premises, property, assets, rights and franchises of the Company, whether now or hereafter owned, constructed or acquired, of whatever character and wherever situated (except as herein expressly excepted), including among other things the following, but reference to or enumeration of any particular kinds, classes, or items of property shall not be deemed to exclude from the operation and effect of the Original Indenture or any indenture supplemental thereto any kind, class or item not so referred to or enumerated:

I.

REAL ESTATE AND WATER RIGHTS.

The real estate described in the deeds from the grantors named in Exhibit B hereto, dated and recorded as therein set forth, and any other real estate and water rights acquired since the date of the Twenty-Ninth Supplemental Indenture.

II.

BUILDINGS AND EQUIPMENT.

All mains, pipes, pipe lines, service pipes, buildings, improvements, standpipes, reservoirs, wells, flumes, sluices, canals, basins, cribs, machinery, conduits, hydrants, water works, plants and systems, tanks, shops, structures, purification systems, pumping stations, fixtures, engines, boilers, pumps, meters and equipment which are now owned or may hereafter be acquired by the Company (except as herein expressly excepted), including all improvements, additions and extensions appurtenant to any real or fixed property now or hereafter subject to the lien of the Original Indenture or any indenture supplemental thereto which are used or useful in connection with the business of

the Company as a water company or as a water utility, whether any of the foregoing property is now owned or may hereafter be acquired by the Company.

It is hereby declared by the Company that all property of the kinds described in the next preceding paragraph, whether now owned or hereafter acquired, has been or is or will be owned or acquired with the intention of using the same in carrying on the business or branches of the business of the Company, and it is hereby declared that it is the intention of the Company that all thereof (except property hereinafter specifically excepted) shall be subject to the lien of the Original Indenture.

It is agreed by the Company that so far as may be permitted by law tangible personal property now owned or hereafter acquired by the Company, except such as is hereafter expressly excepted from the lien hereof, shall be deemed to be and construed as fixtures and appurtenances to the real property of the Company.

III.

FRANCHISES AND RIGHTS OF WAY.

All the corporate and other franchises of the Company, all water and flowage rights, riparian rights, easements and rights of way, and all permits, licenses, rights, grants, privileges and immunities, and all renewals, extensions, additions or modifications of any of the foregoing, whether the same or any thereof, or any renewals, extensions, additions or modifications thereof, are now owned or may hereafter be acquired, owned, held, or enjoyed by the Company.

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IV.

AFTER ACQUIRED PROPERTY.

All real and fixed property and all other property of the character hereinabove described which the Company may hereafter acquire.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any way appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders, tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid premises, property, rights and franchises and every part and parcel thereof.

EXCEPTING AND RESERVING, HOWEVER, certain premises, not used or useful in the supplying of water by the Company, expressly excepted and reserved from the lien of the Original Indenture and not subject to the terms thereof.

AND ALSO SAVING AND EXCEPTING from the property hereby mortgaged and pledged, all of the following property (whether now owned by the Company or hereafter acquired by it): All bills, notes and accounts receivable, cash on hand and in banks, contracts, choses in action and leases to others (as distinct from the property leased and without limiting any rights of the Trustee with respect thereto under any of the provisions of the Original Indenture or of any indenture supplemental thereto), all bonds, obligations, evidences of indebtedness, shares of stock and other securities, and certificates or evidences of interest therein, all automobiles, motor trucks, and other like automobile equipment and all furniture, and all equipment, materials, goods, merchandise and supplies acquired for the purpose of sale in the ordinary course of business or for consumption in the operation of any properties of the Company other than any of the foregoing which may be specifically transferred or assigned to or pledged or deposited with the Trustee hereunder or required by the provisions of the Original Indenture or any indenture supplemental thereto so to be; provided, however, that if, upon the happening of a completed default, as specified in Section 1 of Article XI of the Original Indenture, the Trustee or any receiver appointed hereunder shall enter upon and take possession of the mortgaged property, the Trustee or any such receiver may, to the extent permitted by law, at the same time likewise take possession of any and all of

the property described in this paragraph then on hand and any and all other property of the Company then on hand, not described or referred to in the foregoing granting clauses, which is used or useful in connection with the business of the Company as a water company or as a water utility, and use and administer the same to the same extent as if such property were part of the mortgaged property, unless and until such completed default shall be remedied or waived and possession of the mortgaged property restored to the Company, its successors or assigns.

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SUBJECT, HOWEVER, to the exceptions, reservations and matters hereinabove and in the Original Indenture recited, to releases executed since the date of the Original Indenture in accordance with the provisions thereof, to existing leases, to easements and rights of way for pole lines and electric transmission lines and other similar encumbrances and restrictions which the Company hereby certifies, in its judgment, do not impair the use of said property by the Company in its business, to liens existing on or claims against, and rights in and relating to, real estate acquired for right-of-way purposes, to taxes and assessments not delinquent, to alleys, streets and highways that may run across or encroach upon said lands, to liens, if any, incidental to construction, and to Permitted Liens, as defined in the Original Indenture; and, with respect to any property which the Company may hereafter acquire, to all terms, conditions, agreements, covenants, exceptions and reservations expressed or provided in such deeds and other instruments, respectively, under and by virtue of which the Company shall hereafter acquire the same and to any and all liens existing thereon at the time of such acquisition.

TO HAVE AND TO HOLD, all and singular the property, rights, privileges and franchises hereby conveyed, transferred or pledged or intended so to be unto the Trustee and its successors in the trust heretofore and hereby created, and its and their assigns forever.

IN TRUST NEVERTHELESS, for the equal pro rata benefit and security of each and every person or corporation who may be or become the holders of bonds and coupons secured by the Original Indenture or by any indenture supplemental thereto, or both, without preference, priority or distinction as to lien or otherwise of any bond or coupon over or from any other bond or coupon, so that each and every of said bonds and coupons issued or to be issued, of whatsoever series, shall have the same right, lien and privilege under the Original Indenture and all indentures supplemental thereto and shall be equally secured hereby and thereby, with the same effect as if said bonds and coupons had all been made, issued and negotiated simultaneously on the date thereof; subject, however, to the provisions with reference to extended, transferred or pledged coupons and claims for interest contained in the Original Indenture and subject to any sinking or improvement fund or maintenance deposit provisions, or both, for the benefit of any particular series of bonds.

IT IS HEREBY COVENANTED, DECLARED AND AGREED, by and between the parties hereto, that all such bonds and coupons are to be authenticated, delivered and issued, and that all property subject or to become subject hereto is to be held subject to the further covenants, conditions, uses and trusts hereinafter set forth, and the Company, for itself and its successors and assigns, does hereby covenant and agree to and with the Trustee and its successor or successors in said trust, for the benefit of those who shall hold

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said bonds and coupons, or any of them, issued under this Indenture or any indenture supplemental hereto, or both, as follows:

ARTICLE I.

Form, Authentication and Delivery of the Bonds;

## Redemption Provisions

SECTION 1. There shall be a thirty-sixth series of bonds, limited in aggregate principal amount to \$22,000,000 designated as "Philadelphia Suburban Water Company First Mortgage Bonds, \_\_\_\_% Series due 2025".

Interest on the Bonds shall be payable semiannually on August 15 and February 15 of each year (each an "interest payment date"), commencing February 15, 1996. Each Bond shall be dated the date of its authentication and shall bear interest from the interest payment date next preceding its date, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date for the Bonds, in which case it shall bear interest from August 15, 1995; provided, however, that, if at the time of authentication of any Bond, interest on the predecessor Bond of such Bond is in default, such Bond shall bear interest from the date to which interest has been paid, or, if no interest has been paid, from August 15, 1995. The Bonds shall be stated to mature (subject to the right of earlier redemption at the prices and dates and upon the terms and conditions hereinafter set forth) on August 15, 2025 and shall bear interest at the rate of \_\_\_\_%.

The Bonds shall be issuable only as registered bonds without coupons, shall be in the form hereinabove recited, in the denomination of Five Thousand Dollars (\$5,000) or any multiple thereof, shall be lettered "R", and shall bear such numbers as the Company may reasonably require.

The principal of, and interest on the Bonds shall be payable at the corporate trust office of the trustee in the City of Philadelphia, Pennsylvania, in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts; provided, however, that each installment of interest may be paid by check to the order of the person entitled thereto, mailed to such person's address as the same appears on the books maintained for such purpose by or on behalf of the Company, or by bank wire transfer of immediately available funds pursuant to instructions and conditions incorporated in an agreement between such person and the Trustee or the Company.

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The person in whose name any Bond is registered at the close of business on any record date (as hereinafter defined) with respect to any interest payment date shall be entitled to receive the interest payable on such interest payment date notwithstanding the cancellation of such Bond upon any transfer or exchange subsequent to the record date and prior to such interest payment date; provided, however, that if and to the extent the Company shall default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose names outstanding Bonds are registered at the close of business on a subsequent record date established by notice given by mail by or on behalf of the Company to the holders of Bonds not less than fifteen days preceding such subsequent record date, such record date to be not less than ten days preceding the date of payment of such defaulted interest. The term "record date" as used in this Section 1 with respect to any regular interest payment date shall mean the last day of the calendar month next preceding the month in which such interest payment date occurs if such last day is a business day; if such last day is not a business day, the record date shall be the next preceding business day.

The Bonds are being issued by the Company to secure the obligation of the Company to pay to or for the account of the Authority an amount equal to the principal of, and interest on, the Authority Bonds pursuant to the Financing Agreement. The Authority Bonds are being sold to finance the cost of the acquiring, constructing, installing and equipping of the Facilities.

The Authority Bonds are to be issued under the Authority Indenture and the right, title and interest of the Authority in and to the Financing Agreement and the payments thereunder and the security for such payments have been assigned by the Authority to the Authority Trustee, and the Bonds are to be delivered by the Company on behalf of the Authority directly to the Authority Trustee, as assignee, as security for the payment of the principal of, and interest on, the Authority Bonds. The Authority Trustee may not sell,

assign or otherwise transfer the Bonds except for a transfer of the entire outstanding principal amount thereof to its successor as Trustee under the Authority Indenture, which successor and each subsequent successor shall hold the Bonds subject to the same restriction on transfer.

The text of the Bonds and of the certificate of the Trustee upon such Bonds shall be, respectively, substantially of the tenor and effect hereinbefore recited.

Exchange of any Bonds shall be effected in accordance with the applicable provisions of Sections 7, 8 and 9 of Article II of the Original Indenture.

SECTION 2. The Bonds are redeemable only as follows:

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(a) The 1995 Bonds are subject to redemption prior to maturity on or after August 15, 2005, at the option of the Authority, as directed by the Company, out of moneys deposited with or held by the Trustee for such purpose, as a whole or in part, at any time in the manner described below, at the redemption prices (stated as a percentage of the principal amount), as set forth below, of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption:

Optional Redemption Periods (inclusive)	Redemption Prices
- - - - -	- - - - -
August 15, 2005 through August 14, 2006	102%
August 15, 2006 through August 14, 2007	101%
August 15, 2007 and thereafter	100%

(b) The Bonds are subject to mandatory redemption as a whole at any time prior to maturity should the Company be required to accelerate the payments of the Authority Bonds pursuant to the provisions of Article VII of the Financing Agreement and Article IX of the Authority Indenture, if the Trustee shall receive a notice from the Authority or the Authority Trustee that the Bonds are subject to mandatory redemption in accordance with any of such provisions.

(c) The Bonds are also subject to redemption at the option of the Company as a whole at any time or in part from time to time by the application of moneys from the Maintenance or Improvement Deposit provided for in the Thirtieth Supplemental Indenture upon payment of the principal amount thereof, together with, in each such case, unpaid interest accrued to the date fixed for redemption.

(d) The Bonds are also subject to mandatory redemption by the Company in whole if the Trustee shall receive a written demand from the Authority Trustee for redemption of all such Bonds held by the Authority Trustee stating that an "Event of Default" as defined in Section 9.01 of the Authority Indenture has occurred and is continuing and that payment of the principal of the Authority Bonds has been accelerated pursuant to Section 9.01 of the Authority Indenture, provided that at the time of notice of such redemption as provided in Section 2 of Article V of the Original Indenture (i) said written demand shall not have been withdrawn by the Authority Trustee, and (ii) no event of default under Section 1 of Article XI of the Original Indenture shall have occurred and be continuing.

SECTION 3. Any redemption of the Bonds shall be effected in accordance with the provisions of Article V of the Original Indenture.

SECTION 4. In the event any Authority Bonds shall be purchased by the Company, surrendered by the Company to the Authority Trustee for

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cancellation and cancelled by the Authority Trustee, Bonds corresponding in principal amount to the Authority Bonds so purchased, surrendered and cancelled shall be deemed to have been paid in full.

SECTION 5. In the event and to the extent the principal of, or interest on, any Authority Bonds is paid out of funds held by the Authority Trustee other than payments of Bonds, the corresponding payment of the principal of, or interest on, an aggregate principal amount of Bonds equal to the aggregate principal amount of such Authority Bonds shall be deemed to have been satisfied.

SECTION 6. All Bonds deemed to have been paid in full as provided in Section 5 and 6 of this Article I of this Thirtieth Supplemental Indenture shall be surrendered to the Trustee for cancellation, and the Trustee shall forthwith cancel the same and, on the written request of the Company, deliver the same to the Company. In case part of an outstanding Bond shall be deemed to have been paid as provided in said Section 5 or Section 6, upon presentation of such Bond at the office of the Trustee, the Trustee shall make a notation thereon of the payment of the portion of the principal amount of such Bond so deemed to have been paid unless the registered owner shall elect to surrender such Bond to the Trustee, in which case the Company shall execute and the Trustee shall authenticate and deliver, without charge to the registered owner, Bonds in such authorized denominations as shall be specified by the registered owner for the unpaid balance of the principal amount of such outstanding Bond.

SECTION 7. Bonds in the aggregate principal amount of \$22,000,000 may be issued under the provisions of Article IV of the Original Indenture and may forthwith be executed by the Company and delivered to the Trustee and shall be authenticated by the Trustee and delivered to or upon the order of the Company, upon receipt by the Trustee of the resolutions, certificates, opinions or other instruments or all of the foregoing required to be delivered upon the issue of bonds pursuant to the provisions of the Original Indenture.

## ARTICLE II.

### Maintenance or Improvement Deposit.

SECTION 1. The Company covenants that it will deposit with the Trustee on or before the March 1 next occurring after the bonds of the 5 1/2% Series due 1996 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 7 7/8% Series due 1997, cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 8.44% Series due 1997 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.20% Series due 2001 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 8.40% Series

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due 2002 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 12.45% Series due 2003 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 13% Series due 2005 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 10.65% Series due 2006 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.89% Series due 2008 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 7.15% Series due 2008 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.93% Series due 2013 cease to be outstanding, or on or before the next March 1 next occurring after the bonds of the 9.97% Series due 2018 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.12% Series due 2010 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.29% Series due 2026 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.17% Series due 2021 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 6.50% Series due 2010 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the Medium Term Note Series issued or to be issued under the

Twenty-Ninth Supplemental Indenture cease to be outstanding, whichever is latest, and on or before March 1 in each year thereafter if and so long as any of the Bonds are outstanding, an amount in cash (the "Maintenance or Improvement Deposit") equal to 9% of the Gross Operating Revenues of the Company during the preceding calendar year less, to the extent that the Company desires to take such credits, the following:

(b) the amount actually expended for maintenance during such calendar year; and

(c) the Cost or Fair Value, whichever is less, of Permanent Additions acquired during such calendar year which at the time of taking such credit constitute Available Permanent Additions; and

(d) the unapplied balance, or any part thereof, of the Cost or Fair Value, whichever is less, of Available Permanent Additions acquired by the Company during the five calendar years preceding such calendar year and specified in the Officers' Certificates delivered to the Trustee pursuant to Section 2 of this Article, but only to the extent that the Permanent Additions with respect to which such Cost or Fair Value was determined shall at the time of taking such credit constitute Available Permanent Additions.

SECTION 2. The Company covenants that it will on or before March 1 in each year, beginning with the first deposit made with the Trustee

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under the provisions of Section 1 of this Article, as long as any of the Bonds are outstanding, deliver to the Trustee the following:

(A) An Officers' Certificate, which shall state:

(i) The amount of the Gross Operating Revenues for the preceding calendar year;

(ii) 9% of such Gross Operating Revenues;

(iii) The amount actually expended by the Company for maintenance during such calendar year;

(iv) The amount set forth in subparagraph (xii) of each Officers' Certificate delivered to the Trustee pursuant to the provisions of this Section during the preceding five calendar years (specifying each such Officers' Certificate), after deducting from each such amount the aggregate of (a) the Cost or Fair Value, whichever is less, of all Permanent Additions represented by such amount which have ceased to be Available Permanent Additions; and (b) any part of such amount for which the Company has previously taken credit against any Maintenance or Improvement Deposit (specifying the Officers' Certificate in which such credit was taken); and (c) any part of such amount for which the Company then desires to take credit against the Maintenance or Improvement Deposit;

(v) An amount which shall be the aggregate of all amounts set forth pursuant to the provisions of clause (c) of the foregoing subparagraph (iv);

(vi) The Cost or Fair Value, whichever is less, of Available Permanent Additions acquired by the Company during the preceding calendar year;

(vii) That part of the amount set forth in subparagraph (vi) which the Company desires to use as a credit against the Maintenance or Improvement Deposit;

(viii) The amount of cash payable to the Trustee under the provisions of Section 1 of this Article, which shall be the amount by which the amount set forth in subparagraph (ii) hereof exceeds the sum of the amounts set forth in subparagraphs (iii), (v) and (vii) hereof;

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(ix) The sum of all amounts charged on the books of the Company against any reserve for retirement or depreciation during the preceding calendar year representing the aggregate of the Cost when acquired of any part of the Company's plants and property of the character described in the granting clauses hereof which has been permanently retired or abandoned;

(x) The aggregate of the amounts set forth in subparagraphs (v) and (vii) hereof;

(xi) The amount by which the amount set forth in subparagraph (x) exceeds the amount set forth in subparagraph (ix), being the amount required to be deducted from the Cost or Fair Value of Available Permanent Additions in order to determine a Net Amount of Available Permanent Additions pursuant to the provisions of Section 9 of Article I of the Original Indenture;

(xii) The amount set forth in subparagraph (vi) after deducting the amount, if any, set forth in subparagraph (vii); and

(xiii) That all conditions precedent to the taking of the credit or credits so requested by the Company have been complied with.

(B) In the event that the Officers' Certificate delivered to the Trustee pursuant to the provisions of paragraph (A) of this Section shall state, pursuant to the requirements of subparagraph (vi), the Cost or Fair Value of Available Permanent Additions acquired by the Company during the preceding calendar year, the documents specified in paragraphs 2, 3, 5, 6 and 7 of subdivision (B) of Section 3 of Article IV of the Original Indenture.

(C) An amount in cash equal to the sum set forth in subparagraph (viii) of the Officers' Certificate provided for in paragraph (A) hereof.

SECTION 3. All cash deposited with the Trustee as part of any Maintenance or Improvement Deposit provided for in Section 1 of this Article, may, at the option of the Company, be applied to the purchase of bonds under the provisions of Section 2 of Article X of the Original Indenture or to the redemption of bonds under the provisions of Section 3 of Article X of the Original Indenture or may be withdrawn by the Company at any time to reimburse the Company for the cost of a Net Amount of Available Permanent Additions (excluding, however, from any such Available Permanent Additions all Permanent Additions included in any certificate delivered to the Trustee for the purpose

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of obtaining a credit against any Maintenance or Improvement Deposit provided for in Section 1 of this Article to the extent that such Permanent Additions have been used for any such credit). The Trustee shall pay to or upon the written order of the Company all or any part of such cash upon the receipt by the Trustee of:

(a) A Resolution requesting such payment; and

(b) The documents specified in paragraphs 2, 5, 6 and 7 of subdivision (B) of Section 3 of Article IV of the Original Indenture, with such modifications, additions and omissions as may be appropriate in the light of the purposes for which they are used.

ARTICLE III.

Covenants of the Company.

SECTION 1. The Company hereby covenants and agrees with the Trustee, for the benefit of the Trustee and all the present and future holders of the Bonds, that the Company will pay the principal of, and interest on, all bonds issued or to be issued as aforesaid under and secured by the Original Indenture as hereby supplemented, as well as all bonds which may be hereafter issued in exchange or substitution therefor, and will perform and fulfill all of the terms, covenants and conditions of the Original Indenture and of this Thirtieth Supplemental Indenture with respect to the additional bonds to be issued under the Original Indenture as hereby supplemented.

SECTION 2. The Company covenants and agrees that so long as any of the Bonds are outstanding (a) the Company will not make any Stock Payment if, after giving effect thereto, its retained earnings, computed in accordance with generally accepted accounting principles consistently applied, will be less than the sum of (i) Excluded Earnings, if any, since January 31, 1994, and (ii) \$20,000,000; (b) Stock Payments made more than 40 days after the commencement, and prior to the expiration, of any Restricted Period shall not exceed 65% of the Company's Net Income during such Restricted Period; and (c) the Company will not authorize a Stock Payment if there has occurred and is continuing an event of default under subsections (a) and (b) of Section 1 of Article XI of the Original Indenture.

For the purposes of this Section 2 the following terms shall have the following meanings:

"Capitalization" shall mean the sum of (i) the aggregate principal amount of all Debt at the time outstanding, (ii) the aggregate par or stated value of all capital stock of the Company of all classes at the time

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outstanding, (iii) premium on capital stock, (iv) capital surplus, and (v) retained earnings.

"Debt" means (i) all indebtedness, whether or not represented by bonds, debentures, notes or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness for the payment of the purchase price of property or assets purchased (but Debt shall not be deemed to include Customer Advances for construction or any bonds issued under the Indenture which are not Outstanding Bonds), (iii) leases which have been or, in accordance with generally accepted accounting principles, should be recorded as capital leases and (iv) guarantees of the obligations of another of the nature described in clauses (i), (ii) or (iii) which have been or, in accordance with generally accepted accounting principles, should be recorded as debt.

"Determination Date" shall mean the last day of each calendar quarter. Any calculation with respect to any Determination Date shall be based on the Company's balance sheet as of such date.

"Excluded Earnings" shall mean 35% of the Company's Net Income during any Restricted Period.

"Net Income" for any particular Restricted Period shall mean the amount of net income properly attributable to the conduct of the business of the Company for such period, as determined in accordance with generally accepted accounting principles consistently applied, after payment of or provision for taxes on income for such period.

"Outstanding Bonds" shall mean bonds which are outstanding within the meaning indicated in Section 20 of Article I of the Original Indenture except that, in addition to the bonds referred to in clauses (a), (b) and (c) of said Section 20, said term shall not include bonds for the retirement of which sufficient funds have been deposited with the Trustee with irrevocable instructions to apply such funds to the retirement of such bonds at a specified time, which may be either the maturity thereof or a specified redemption date, whether or not notice of redemption shall have been given.

"Restricted Period" shall mean a period commencing on any Determination Date on which the total Debt of the Company is, or as the result of any Stock Payment then declared or set aside and to be made thereafter will be, more than 70% of Capitalization, and continuing until the third consecutive Determination Date on which the total Debt of the Company does not exceed 70% of Capitalization.

"Stock Payment" shall mean any payment in cash or property (other than stock of the Company) to any holder of shares of any class of

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capital stock of the Company as such holder, whether by dividend or upon the purchase, redemption, conversion or other acquisition of such shares, or otherwise.

SECTION 3. The Company covenants and agrees that so long as any of the Bonds are outstanding, neither the Company nor any subsidiary of the Company will, directly or indirectly, lend or in any manner extend its credit to, or indemnify, or make any donation or capital contribution to, or purchase any security of, any corporation which directly or indirectly controls the Company, or any subsidiary or affiliate (other than an affiliate which is a subsidiary of the Company) of any such corporation.

#### ARTICLE IV.

##### The Trustee.

SECTION 1. The Trustee hereby accepts the trust hereby declared and provided, and agrees to perform the same upon the terms and conditions in the Original Indenture, as supplemented by this Thirtieth Supplemental Indenture.

SECTION 2. Subject to the provisions of Article XIII of the Original Indenture, the Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through and consult with attorneys, agents, officers or employees selected by the Trustee in its sole discretion. The Trustee shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder and may in all case pay such reasonable compensation to all such attorneys, agents, officers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act and rely upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Company). The Trustee may act and rely on written opinions of experts employed by the Trustee and such advice shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by the Trustee hereunder in good faith and in reliance thereon. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith taken in reliance upon such opinion or advice. The Trustee shall not be bound to confirm, verify or make any investigation into the facts or matters stated in any financial or other statements, resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order or other paper or document furnished pursuant to the terms hereof.

SECTION 3. Before the Trustee shall be required to foreclose on, or to take control or possession of, the real property or leasehold interest (the "Premises") which may be the subject of any mortgage or mortgages for which the Trustee is mortgagee in connection with the issuance of the Bonds, the Trustee shall be indemnified and held harmless by the holders and/or beneficial

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owners of the Bonds from and against any and all expense, loss, or liability that may be suffered by the Trustee in connection with any spill, leak or release which may have occurred on or invaded the Premises or any contamination by an Hazardous Substance (hereinafter defined), whether caused by the Company or any other person or entity, including, but not limited to, (1) any and all reasonable expenses that the Trustee may incur in complying with any of the Environmental Statutes (hereinafter defined), (2) any and all reasonable costs that the Trustee may incur in studying or remedying any spill, leak or release which may have occurred on or invaded the Premises or any contamination, (3) any and all fines or penalties assessed upon the Trustee by reason of such contamination, (4) any and all loss of value of the Premises or the improvements thereon by reason of such contamination, and (5) any and all legal fees and costs reasonably incurred by the Trustee in connection with any of the foregoing. As used in this Section, contamination by any Hazardous Substance shall include contamination, arising from the presence, creation, production, collection, treatment, disposal, discharge, release, storage, transport or transfer of any Hazardous Substance at or from the Premises or any improvements thereon. As used in this Section, the term "Hazardous Substance" shall mean petroleum hydrocarbons or any substance which (a) constitutes a hazardous waste or substance under any applicable federal, state or local law, rule, order or regulation now or hereafter adopted; (b) constitutes a "hazardous substance" as such term is defined under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. Section 9601 et seq.) and the regulations issued thereunder and any comparable state or local law or regulation; (c) constitutes a "hazardous waste" under the Resource Conservation and Recovery Act, (42 U.S.C. Section 6991) and the regulations issued thereunder and any comparable state or local law or regulation; (d) constitutes a pollutant, contaminant, chemical or industrial, toxic or hazardous substance or waste as such terms are defined under Federal Clean Water Act, as amended (33 U.S.C. Section 1251 et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.), or any comparable state or local laws or regulations; (e) exhibits any of the characteristics enumerated in 40 C.F.R. Sections 261.20 - 261.24, inclusive; (f) those extremely hazardous substances listed in Section 302 of the Superfund Amendments and Reauthorization Act of 1986 (Public Law 99-499, 100 Stat. 1613) which are present in threshold planning or reportable quantities as defined under such act; (g) toxic or hazardous chemical substances which are present in quantities which exceed exposure standards as those terms are defined under Sections 6 and 8 of the Occupational Safety and Health Act, as amended (29 U.S.C. Sections 655 and 657 and 29 C.F.R. Part 1910, subpart 2); and (h) any asbestos, petroleum-based products or any Hazardous Substance contained within or release from any underground or aboveground storage tanks. As used in this Section, the term "Environmental Statutes" shall mean the statutes, laws, rules, orders and regulations referred to in (a) through (h) inclusive in the preceding sentence.

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#### ARTICLE V.

##### Miscellaneous.

SECTION 1. This instrument is executed and shall be construed as an indenture supplemental to the Original Indenture, and shall form a part thereof, and except as hereby supplemented, the Original Indenture and the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, Fifteenth, Sixteenth, Seventeenth, Eighteenth, Nineteenth, Twentieth, Twenty-First, Twenty-Second, Twenty-Third, Twenty-Fourth, Twenty-Fifth, Twenty-Sixth, Twenty-Seventh, Twenty-Eighth and Twenty-Ninth Supplemental Indentures are hereby confirmed. All references in this Thirtieth Supplemental Indenture to the Original Indenture shall be deemed to refer to the Original Indenture as heretofore amended and supplemented, and all terms used herein shall be taken to have the same meaning as in the Original Indenture, as so amended, except in the cases where the context clearly

indicates otherwise.

SECTION 2. Any notices to the Trustee under this Thirtieth Supplemental Indenture shall be delivered to the Trustee by registered or certified mail, hand delivery or other courier or express delivery service (with receipt confirmed) or by telecopy (with receipt confirmed) at the following address:

CoreStates Bank, N.A.  
Corporate Trust Administration  
510 Walnut Street, 6th Floor  
F.C. 1-9-6-69  
Philadelphia, PA 19106  
Attention: Philadelphia Suburban Water  
Administrator  
Telecopy: (215) 973-2955

Any change in such address or telecopy number may be made by notice to the Company delivered in the manner set forth above.

SECTION 3. All recitals in this Thirtieth Supplemental Indenture are made by the Company only and not by the Trustee; and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect hereof as fully and with like effect as if set forth herein in full.

SECTION 4. Although this Thirtieth Supplemental Indenture is dated for convenience and for the purpose of reference as of August 15, 1995, the actual date or dates of execution hereof by the Company and the Trustee are as indicated by their respective acknowledgments annexed hereto.

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SECTION 5. In order to facilitate the recording or filing of this Thirtieth Supplemental Indenture, the same may be simultaneously executed in several counterparts, each of which shall be deemed to be an original and such counterparts shall together constitute but one and the same instrument.

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IN WITNESS WHEREOF the parties hereto have caused their corporate seals to be hereunto affixed and their authorized officers have hereto affixed their signatures, and their authorized officers have duly attested the execution hereof, as of the fifteenth day of August, 1995.

[CORPORATE SEAL]

PHILADELPHIA SUBURBAN WATER  
COMPANY

Attest: Roy H. Stahl  
-----  
Asst. Secretary

By: Michael P. Graham  
-----  
Vice President

[CORPORATE SEAL]

CORESTATES BANK, N.A.

Attest: Cathy Wiedecke  
-----  
Authorized Officer

By: Charles J. Adomanis  
-----  
Authorized Officer

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Corestates Bank, N.A., Mortgagee and Trustee named in the foregoing Thirtieth Supplemental Indenture, hereby certifies that its precise name and the post office address of its Corporate Trust Department are as follows:

CoreStates Bank, N.A.  
P.O. Box 13834  
Philadelphia, Pennsylvania 19101  
Attn: Corporate Trust Department.

CORESTATES BANK, N.A.

By: Cathy Wiedecke  
-----  
Authorized Officer

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COMMONWEALTH OF PENNSYLVANIA        )  
  )     ss.:  
COUNTY OF MONTGOMERY                )

On the 30th day of August, 1995, before me, the Subscriber, a Notary Public for the Commonwealth of Pennsylvania, personally appeared Michael P. Graham, who acknowledged himself to be the Vice President of Philadelphia Suburban Water Company, a corporation, and that he as such Vice President, being authorized to do so, executed the foregoing Thirtieth Supplemental Indenture as and for the act and deed of said corporation and for the uses and purposes therein mentioned, by signing the name of the corporation by himself as such officer.

In Witness Whereof I hereunto set my hand and official seal.

[NOTARIAL SEAL]

Nancy C. Lavin  
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COMMONWEALTH OF PENNSYLVANIA        )  
  )     ss.:  
COUNTY OF PHILADELPHIA             )

On the 29th day of August, 1995 before me, the Subscriber, a Notary Public for the Commonwealth of Pennsylvania, personally appeared Charles J. Adomanis, who acknowledged himself to be a Vice President of CoreStates Bank, N.A., Trustee, a national banking association, and that he as such Vice President, being authorized to do so, executed the foregoing Thirtieth Supplemental Indenture as and for the act and deed of said national banking association and for the uses and purposes therein mentioned by signing the name of said national banking association by herself as such officer.

In Witness Whereof I hereunto set my hand and official seal.

[NOTARIAL SEAL]

Jonathan R. Wright  
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EXHIBIT A

BONDS REDEEMED OR PAID AT MATURITY

Series			Principal Amount Paid of Redeemed (If less than all Bonds of Series)	Date Paid	Maturity
- - - - -			- - - - -	- - - - -	- - - - -
3 1/4 %	Series Due	1971		12/31/70	Redemption
9 5/8 %	Series Due	1975		6/15/75	Maturity
9.15 %	Series Due	1977		11/1/77	Maturity
3 %	Series Due	1978		7/1/78	Maturity
3 3/8 %	Series Due	1982		7/1/82	Maturity
3.90 %	Series Due	1983		7/1/83	Maturity
3 1/2 %	Series Due	1986		1/1/86	Maturity
4 1/2 %	Series Due	1987		1/1/87	Maturity
4 1/8 %	Series Due	1988		5/1/88	Maturity
5 %	Series Due	1989		9/1/89	Maturity
4 5/8 %	Series Due	1991		5/1/91	Maturity
4.70 %	Series Due	1992		4/1/92	Maturity
6 7/8 %	Series Due	1993		1/1/93	Maturity
4.55 %	Series Due	1994		3/1/94	Maturity
10 1/8 %	Series Due	1995	\$6,300,000	-----	Sinking Fund
10 1/8 %	Series Due	1995	\$3,700,000	5/17/93	Redemption
9.20 %	Series Due	2001	\$3,850,000	-----	Sinking Fund
9.20 %	Series Due	2001	\$3,150,000	5/1/93	Redemption
8.40 %	Series Due	2002	\$5,850,000	-----	Sinking Fund
5.95 %	Series Due	2002	\$1,200,000	-----	Sinking Fund
12.45 %	Series Due	2003	\$1,000,000	8/1/93	Sinking Fund
12.45 %	Series Due	2003	\$9,000,000	8/2/93	Redemption
8 7/8 %	Series Due	2010	\$ 800,000	-----	Sinking Fund
8 7/8 %	Series Due	2010	\$7,200,000	6/30/92	Redemption

EXHIBIT B

COUNTY GRANTOR	COMPANY'S REAL ESTATE INDEX NO.	DATE OF DEED	RECORDED IN BOOK PAGE
- - - - -	- - - - -	- - - - -	- - - - -
Kulicke and Soffa Industries, Inc. (Montgomery County)	vii-D-3	8/16/95	Not Yet Recorded
Clover Croft Farms, Inc. (Uwchlan Twp., Chester Co.)	vii-C-3	3/27/95	Not Yet Recorded

BOND PURCHASE AGREEMENT

\$22,000,000  
DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY  
6.35% Water Facilities Revenue Bonds  
due August 15, 2025  
(Philadelphia Suburban Water Company Project)  
Series of 1995

Bond Purchase Agreement dated August 24, 1995 among the DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Issuer"); PHILADELPHIA SUBURBAN WATER COMPANY, a Pennsylvania corporation (the "Company"), and LEGG MASON WOOD WALKER, INCORPORATED, 1735 Market Street, Philadelphia, Pennsylvania (the "Underwriter").

1. Background.

(a) The Issuer proposes to enter into a Construction and Financing Agreement (the "Financing Agreement") dated as of August 15, 1995 with the Company, under which the Issuer will agree to loan to the Company funds to provide financing of the costs of certain capital projects consisting of improvements and additions to the Company's water facilities (the "Project Facilities") located within municipalities in Delaware, Chester, Bucks and Montgomery Counties, Pennsylvania. To finance the loan under the Financing Agreement, the Issuer proposes to issue and sell \$22,000,000 aggregate principal amount of the bonds identified above (the "Bonds") to the Underwriter, who will in turn reoffer the Bonds for sale to the public;

(b) The Bonds will be issued pursuant to the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended and supplemented (the "Act"), a resolution adopted by the Issuer on March 28, 1995 (the "Resolution") and under a Trust Indenture dated as of August 15, 1995 (the "Indenture") between the Issuer and PNC Bank, National Association, as trustee (the "Trustee"). The Bonds will have such terms as set forth in Schedule I attached hereto. The Bonds will be payable out of payments by the Company under the Financing Agreement, including payments under its First Mortgage Bond, in the principal amount of \$22,000,000 (the "First Mortgage Bond") to be issued concurrently with the Bonds pursuant to the Company's Indenture of Mortgage (the "Original Indenture") dated as of January 1, 1941 to CoreStates Bank, N.A., as trustee (the "Mortgage Trustee"), as heretofore amended and supplemented and as to be further supplemented by a Thirtieth Supplemental Indenture (the "Thirtieth Supplemental Indenture") dated as of August 15, 1995 (the Original Indenture as so supplemented and amended is hereinafter referred to as the "First Mortgage Indenture"). All of the Issuer's rights under the Financing Agreement to receive

and enforce repayment of its loan to the Company and to enforce payment of the Bonds, including all of the Issuer's rights to the First Mortgage Bond, and all of the Issuer's rights to moneys and securities in the Construction Fund, the Debt Service Fund and the Revenue Fund established by the Indenture, except for the Issuer's rights to reimbursement for expenses and indemnification thereunder and rights relating to amendments of and notices under the Financing Agreement, will be assigned to the Trustee as security for the Bonds pursuant to the Indenture;

(c) The Project Facilities are intended to constitute facilities for the furnishing of water for purposes of Section 142(a)(4) of the Internal Revenue Code of 1986, as amended (the "Code"), so that the interest on the Bonds will not be includable in gross income for federal income tax purposes under the Code and the Underwriter may offer the Bonds for sale without registration under the Securities Act of 1933, as amended (the "Securities Act of 1933") or qualification of the Indenture under the Trust Indenture Act of 1939; and

(d) A Preliminary Official Statement dated July 14, 1995, including the Appendices thereto and all documents incorporated therein by reference (the "Preliminary Official Statement"), has been supplied to the parties hereto, and a final Official Statement to be dated as of the date hereof, including the Appendices thereto and all documents incorporated therein by reference (the "Final Official Statement"), prepared for use in such offering will be supplied to the parties hereto as soon as it is available subject to Section 10 hereof. The Final Official Statement, as it may be amended or supplemented with the consent of the Issuer, the Underwriter and the Company, is hereinafter referred to as the "Official Statement".

2. Purchase, Sale and Closing. On the terms and conditions herein set forth, the Underwriter will buy from the Issuer, and the Issuer will sell to the Underwriter, the Bonds at a purchase price equal to 98.75% of the principal amount thereof, plus interest accrued, if any, to the Closing date. Payment shall be made in immediately available funds to the Trustee for the account of the Issuer. Closing (the "Closing") will be at the offices of Dilworth, Paxson, Kalish & Kauffman, Philadelphia, Pennsylvania, at 10:00 a.m., Eastern Standard Time, on August 31, 1995, or at such other date, time or place as may be agreed on by the parties hereto. The Bonds will be delivered in New York, New York in the form of one typewritten bond maturing August 15, 2025, registered in the name of Cede & Co., as nominee for The Depository Trust Company.

The Underwriter agrees to make a bona fide public offering of the Bonds at the initial offering prices or yields set forth in the Official Statement; provided, however, the Underwriter reserves the right (and the Issuer

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and the Company hereby expressly acknowledge such right): (i) to make concessions to dealers; (ii) to effect transactions that stabilize or maintain the market price of the Bonds above that which might otherwise prevail in the open market and to discontinue at any time such stabilizing transactions; and (iii) to change such initial offering prices, all as the Underwriter shall deem necessary in connection with the marketing of the Bonds.

3. Issuer's Representations. The Issuer makes the following representations, all of which shall survive Closing, that:

(a) The Issuer is a body politic and corporate, duly created and existing under the Constitution and laws of the Commonwealth of Pennsylvania (the "Commonwealth"), and has, and at the date of Closing will have, full legal right, power and authority to: (i) enter into this Bond Purchase Agreement; (ii) execute and deliver the Indenture, the Financing Agreement, this Bond Purchase Agreement and the other various documents required in connection therewith (collectively, the "Issuer Financing Documents"); (iii) issue, sell and deliver the Bonds to the Underwriter as provided herein; and (iv) carry out and to consummate the transactions contemplated by the Issuer Financing Documents and the Official Statement to be carried out and/or consummated by it;

(b) The Preliminary Official Statement, as it pertains to the Issuer, as of its date, was correct and complete in all material respects and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading;

(c) The Official Statement as it pertains to the Issuer as of its date is or will be correct and complete in all material respects and does not or will not, with respect to the Issuer, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading;

(d) The Issuer has complied, and will at the Closing be in compliance in all material respects, with the provisions of the Act;

(e) To the extent required by law, by official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized and approved the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of,

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and the performance by the Issuer of the obligations on its part contained in the Issuer Financing Documents;

(f) To the best of the knowledge of the officer of the Issuer executing this Bond Purchase Agreement, the Issuer is not in material breach of or in default under any applicable law or administrative regulation of the Commonwealth or the United States; and the execution and delivery of the Issuer Financing Documents, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject;

(g) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the Issuer's legal ability to issue the Bonds or to the performance by the Issuer of its obligations hereunder and under the Issuer Financing Documents have been obtained or will be obtained prior to the Closing;

(h) The Bonds, when issued, authenticated and delivered in accordance with the Indenture and sold to the Underwriter as provided herein, will be validly issued, and will be valid and binding limited obligations of the Issuer enforceable in accordance with their terms (except as an enforcement of remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or legal or equitable principles affecting the enforcement of creditors' rights ("Creditors' Rights Limitations"));

(i) The terms and provisions of the Issuer Financing Documents will comply in all respects with the requirements of the Act;

(j) The terms and provisions of the Issuer Financing Documents when executed and delivered by the respective parties thereto, will constitute the valid, legal and binding obligations of the Issuer enforceable in accordance with their respective terms (except as enforcement of remedies may be limited by Creditors' Rights Limitations);

(k) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Issuer, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the revenues or assets of the Issuer pledged or to

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be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of

the Issuer Financing Documents or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the power or authority of the Issuer with respect to the issuance of the Bonds or the execution and delivery of the Issuer Financing Documents, nor, to the knowledge of the Issuer, is there any meritorious basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Issuer Financing Documents; and

(1) The net proceeds received from the Bonds and applied in accordance with the Indenture shall be used in accordance with the Act as described in the Official Statement.

4. Company's Representations. The Company makes the following representations, all of which will survive the Closing:

(a) The Company has not sustained since December 31, 1994 any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree; and since the respective dates as of which information is given in the Official Statement, there have not been any material changes in the capital stock or long-term debt of the Company or any material adverse change, or a development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company, otherwise than as set forth or contemplated in the Official Statement;

(b) The Company has been duly organized and is existing as a corporation under the laws of the Commonwealth, with power (corporate and other) to own its properties and conduct its business as described in the Official Statement;

(c) The First Mortgage Bond has been duly authorized, and, when issued and delivered as contemplated by this Bond Purchase Agreement, will have been duly executed, authenticated, issued and delivered and will constitute a valid and legally binding obligation of the Company entitled to the benefits provided by the First Mortgage Indenture;

(d) The Original Indenture has been duly authorized, executed and delivered by the Company and the Mortgage Trustee, and the Thirtieth Supplemental Indenture has been duly authorized. When the Thirtieth Supplemental Indenture, in substantially the form approved by the Company, has been executed and delivered by the Company and the Mortgage Trustee and recorded

as required by law, the First Mortgage Indenture (i) will constitute a valid and legally binding instrument enforceable in accordance with its terms except as enforceability may be limited by Creditors' Rights Limitations, and (ii) will constitute a direct, valid and enforceable first mortgage lien (except as enforceability of such lien may be limited by Creditors' Rights Limitations), upon all of the properties and assets of the Company (not heretofore released as provided for in the First Mortgage Indenture) specifically or generally described or referred to in the First Mortgage Indenture as being subject to the lien thereof (which properties and assets constitute substantially all of the Company's properties and assets other than securities), except for permitted liens under the First Mortgage Indenture, and will create a similar lien upon all properties and assets acquired by the Company after the execution and delivery of the Thirtieth Supplemental Indenture and required to be subjected to the lien of the First Mortgage Indenture pursuant thereto when so acquired (which properties and assets will constitute substantially all of the Company's properties and assets subsequently acquired other than securities), except for permitted liens under the First Mortgage Indenture; the Original Indenture has been, and the Thirtieth Supplemental Indenture will be duly filed, recorded or registered in each place in the Commonwealth in which such filing, recording or registration was or is required to protect and preserve the lien of the First Mortgage Indenture; and all necessary approvals of regulatory authorities,

commissions and other governmental bodies having jurisdiction over the Company required to subject to the lien of the First Mortgage Indenture, the mortgaged property or trust estate (as defined in the First Mortgage Indenture) have been duly obtained;

(e) The Company has good and marketable title in fee simple to all of its real property, good and marketable title to all of its other interests in real property (other than to certain rights of way, easements, occupancy rights, riparian and flowage rights and real property interests of a similar nature, the lack of good and marketable title to which in each case does not interfere with the proper operation of its properties or the conduct of its business) and good and marketable title to all personal property owned by it, in each case free and clear of all liens, encumbrances and defects except such as are described in the Official Statement, the lien of the First Mortgage Indenture, permitted liens under the First Mortgage Indenture or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company; and any real property and buildings held under lease by the Company are held by it under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company;

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(f) The Company has all licenses, franchises, permits, authorizations, rights, approvals, consents and orders of all governmental authorities or agencies necessary for the ownership or lease of the properties owned or leased by it and for the operation of the business carried on by it as described in the Official Statement, and all water rights, riparian rights, easements, rights of way and other similar interests and rights described or referred to in the First Mortgage Indenture necessary for the operation of the business carried on by it as described in the Official Statement, in each case with such exceptions as are not material and do not interfere with the conduct of the business of the Company; except as otherwise set forth in the Official Statement, all such licenses, franchises, permits, orders, authorizations, rights, approvals and consents are in full force and effect and contain no unduly burdensome provisions; except as otherwise set forth in the Official Statement, there are no legal or governmental proceedings pending or threatened that would result in a material modification, suspension or revocation thereof; and the Company has the legal power to exercise the rights of eminent domain for the purposes of conducting its water utility operations;

(g) The issue and sale of the Bonds, the issue and delivery of the First Mortgage Bond and the compliance by the Company with all of the provisions of the Bonds, the First Mortgage Indenture, the Financing Agreement, the Indenture, the Continuing Disclosure Agreement (as defined hereafter) and this Bond Purchase Agreement will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance (other than the lien of the First Mortgage Indenture) upon any of the property or assets of the Company pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company is subject, nor will such action result in a violation of the provisions of the Articles of Incorporation, as amended, or the By-Laws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its property; and no consent, approval, authorization, order, registration or qualification of or with any court or any such regulatory authority or other governmental body (other than those already obtained) is required for the issue and sale of the Bonds, the issue and delivery of the First Mortgage Bond or the consummation by the Company of the other transactions contemplated by this Bond Purchase Agreement or the First Mortgage Indenture;

(h) The Pennsylvania Public Utility Commission by order has duly authorized the issuance and delivery of the First Mortgage Bond on terms not inconsistent with this Bond Purchase Agreement;

(i) The Company is not a holding company, a registered holding company or an affiliate of a registered holding company within the meaning of the Public Utility Holding Company Act of 1935, as amended;

(j) There are no legal or governmental proceedings pending to which the Company is a party or of which any property of the Company is the subject, other than as set forth in the Official Statement and other than litigation incident to the kind of business conducted by the Company which, if determined adversely to the Company, would not have a material adverse effect on the financial position, stockholders' equity or results of operations of the Company; and, to the best of the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(k) (i) The Project Facilities consist of either land or property of a character subject to depreciation for federal income tax purposes and will be used to furnish water that is or will be made available to members of the general public (including electric utility, industrial, agricultural, or commercial users); (ii) the rates for the furnishing or sale of the water have been established or approved by a State or political subdivision thereof, by an agency or instrumentality of the United States, or by a public service or public utility commission or other similar body of any State or political subdivision thereof; and (iii) all other information supplied by the Company with respect to the exclusion from gross income pursuant to Section 103 of the Code of the interest on the Bonds is correct and complete;

(l) The Company has not, within the immediately preceding ten years, defaulted in the payment of principal or interest on any of its bonds, notes or other securities, or any legally authorized obligation issued by it;

(m) The information with respect to the Company and the Project Facilities and the descriptions of the Bonds, the Indenture, the Financing Agreement, the First Mortgage Bond, the First Mortgage Indenture and the Continuing Disclosure Agreement contained in the Official Statement (including Appendix A and the information incorporated therein by reference) do not contain an untrue statement of a material fact or omit to state a material fact necessary to make such information and descriptions, in light of the circumstances under which they were made, not misleading; and

(n) The Company will undertake, pursuant to the Continuing Disclosure Agreement dated as of July 15, 1995 to be entered into between the Company and the Trustee (the "Continuing Disclosure Agreement"), to provide annual reports and notices of certain material events in accordance with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12").

A description of this undertaking and the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement.

5. Issuer's Covenants. The Issuer will:

(a) cooperate in qualifying the Bonds for offer and sale under the Blue Sky laws of states designated by the Underwriter, provided that

the Issuer shall not be required to qualify to do business or consent to service of process in any state or jurisdiction other than the Commonwealth and the Issuer's out-of-pocket costs in respect thereof are paid by the Company or are otherwise provided for; and

(b) refrain from knowingly taking any action with regard to which the Issuer may exercise control that would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds referred to under the caption "Tax Matters" in the Official Statement.

6. Company's Covenants. The Company agrees that it will:

(a) refrain from taking any action, or from permitting any action, with regard to which the Company may exercise control, to be taken, that would result in the loss of the exclusion from gross income for federal tax purposes of interest on the Bonds; and

(b) indemnify the Issuer, its members, directors, officers and employees and the Underwriter, its officers, directors, officials, employees and each person, if any, who controls the Underwriter within the meaning of Section 15 of the Securities Act of 1933 (collectively, "Indemnified Parties") against claims asserted against them in connection with the offering and sale of the Bonds (i) on the ground that the Preliminary Official Statement or the Official Statement (except for the information relating to the Issuer under the caption "The Authority," information under the captions "Underwriting," "The 1995 Bonds - Book-Entry-Only System" and "Bond Insurance" and in Appendix E, and any information furnished in writing by the Underwriter specifically for use therein) contains an alleged untrue statement of material fact or an alleged omission to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made, or (ii) arising by virtue of the failure to register the Bonds under the Securities Act of 1933, or to qualify the Indenture under the Trust Indenture Act of 1939.

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7. Underwriter's Covenants. By acceptance hereof the Underwriter agrees to indemnify and hold harmless the Issuer, its members, officers, directors and employees and the Company, its officers, directors and employees, and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act of 1933 (collectively, "Indemnified Parties") against claims, losses, damages, liabilities and expenses asserted against them, or any of them, in connection with (i) the offering and sale of the Bonds on the grounds that the information under the caption "Underwriting" or the information furnished by the Underwriter in writing specifically for use in the Preliminary Official Statement or the Official Statement contains an untrue statement of a material fact or omits to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made, or (ii) failure on the part of the Underwriter to deliver an Official Statement to any purchaser; and will reimburse any legal or other expenses reasonably incurred by an Indemnified Party in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which the Underwriter may otherwise have. The Underwriter shall not be liable for any settlement of any such action effected without its consent.

8. Notice of Indemnification; Settlement. Promptly after receipt by an Indemnified Party of notice of the commencement of any action against an Indemnified Party hereunder in respect of which indemnity is to be sought against the Company or the Underwriter, as the case may be (the "Indemnifying Party"), such Indemnified Party will notify the Indemnifying Party in writing of such action and the Indemnifying Party may assume the defense thereof, including the employment of counsel and the payment of all expenses; but the omission so to notify the Indemnifying Party will not relieve the Indemnifying Party from any liability which it may have to any Indemnified Party otherwise than hereunder. The Indemnifying Party shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Indemnifying Party or if there is a final judgment for the

plaintiff in any such action, the Indemnifying Party will indemnify and hold harmless any Indemnified Party from and against any loss or liability by reason of such settlement or judgment. The indemnity agreements contained in this Bond Purchase Agreement shall include reimbursement for expenses reasonably incurred by an Indemnified Party in investigating the claim and in defending it if the Indemnifying Party declines to assume the defense and shall survive delivery of the Bonds.

9. Equitable Contribution. If the indemnification provided for in Section 6(b) is unavailable to the Underwriter (or any controlling person thereof) in respect of any losses, claims, damages or liabilities referred to therein, then the Company shall, in lieu of indemnifying the Underwriter,

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contribute to the amount paid or payable by the Underwriter as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative benefits received by the Company and the Underwriter, respectively, from the offering of the Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Company shall contribute to such amount paid or payable by the Underwriter in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Underwriter, respectively, in connection with the statements or omission which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefit received by the Company or the Underwriter shall be deemed to be in the same proportion as the total proceeds from the offering (before deducting issuance costs and expenses other than underwriting fees and commissions) received by the Company, on the one hand, bear to the total underwriting fees and commissions received by the Underwriter, on the other hand. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact related to information supplied by the Company or the Underwriter and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriter agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 9. The amount paid or payable by the Underwriter as a result of the losses, claims, damages or liabilities referred to above in this Section 9 shall be deemed to include any legal or other expenses reasonably incurred by the Underwriter in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, the Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the Bonds underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which the Underwriter has otherwise been required to pay by reason of such untrue or allegedly untrue statement or omission or alleged omission.

10. Official Statement; Public Offering.

(a) In order to enable the Underwriter to comply with Rule 15c2-12 (i) the Company has prepared or caused the preparation of the Preliminary Official Statement, which the Company and the Issuer (but only with respect to the information therein with respect to the Issuer under the headings "The Authority," "Introductory Statement" and "Absence of Material Litigation")

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deem final and complete as of its date; (ii) the Company shall provide to the Underwriter sufficient copies of the Official Statement in sufficient time to accompany any confirmation that requires payment from any customer and in any event within seven business days after the date of this Bond Purchase Agreement; and (iii) the Company agrees to notify the Underwriter of any developments that would render the Official Statement misleading in any material respect during the period that the Official Statement is required to be delivered in connection with the sale of the Bonds and for a period of 25 days thereafter. The Issuer and the Company hereby authorize the use of the Preliminary Official Statement and the Official Statement by the Underwriter in connection with the offering of the Bonds.

(b) After the Closing, and until the Underwriter has informed the Issuer and the Company that the Underwriter has sold all the Bonds, the Issuer and the Company will not adopt or distribute any amendment of or supplement to the Final Official Statement, except with the prior written consent of the Underwriter; and if any event relating to or affecting the Issuer, the Company or the Bonds shall occur, the result of which shall make it necessary, in the reasonable opinion of the Underwriter, to amend or supplement the Official Statement in order to make it not misleading in light of the circumstances existing at that time, the Company shall forthwith prepare, and the Company shall approve for distribution, a reasonable number of copies of an amendment of or supplement to the Official Statement, in form and substance satisfactory to the Underwriter, so that the Official Statement then will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances existing at that time, not misleading. The Issuer shall cooperate with the Company in the issuance and distribution of any such amendment or supplement.

(c) The Underwriter agrees to promptly provide a nationally recognized municipal securities information repository and the Municipal Securities Rulemaking Board ("MSRB") with a copy of the Final Official Statement for filing in accordance with Rule 15c2-12.

11. Conditions of Underwriter's Obligations. The Underwriter's obligations to purchase and pay for the Bonds and the Issuer's obligation to issue and deliver the Bonds are subject to fulfillment of the following conditions at or before Closing:

(a) The representations of the Issuer and the Company herein shall be true on and as of the date of the Closing and shall be confirmed by appropriate certificates at Closing;

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(b) Neither the Issuer nor the Company shall be in default in the performance of any of their respective covenants herein;

(c) The Underwriter shall have received:

(i) Opinions of Dilworth, Paxson, Kalish & Kauffman, Bond Counsel, dated the date of Closing, in the forms attached as Exhibits A and B hereto, addressed to the Issuer, the Trustee and the Underwriter;

(ii) An opinion of Lastowka & Messick, P.C., counsel for the Issuer, dated the date of Closing with respect to the matters set forth in Exhibit C hereto, addressed to the Trustee and the Underwriter;

(iii) Opinions of Dilworth, Paxson, Kalish & Kauffman and Company Counsel, dated the date of Closing, in the forms attached as Exhibit D hereto, addressed to the Underwriter and the Issuer and, in the case of the opinion of Company Counsel, to Bond Counsel;

(iv) An opinion of Ballard Spahr Andrews & Ingersoll, counsel for the Underwriter, in form and substance satisfactory to the Underwriter;

(v) An opinion of counsel to Financial Guaranty Insurance Company ("FGIC"), in form and substance satisfactory to the Underwriter, relating to the enforceability of the Municipal Bond New Issue Insurance Policy and the information concerning FGIC in the Official Statement;

(vi) An agreed upon procedures letter dated the date of Closing, from KPMG Peat Marwick LLP, the Company's independent certified public accountants, with respect to the Official Statement, in form satisfactory to the Underwriter;

(vii) A certificate dated the date of Closing executed by the Chairman of the Issuer to the effect that:

(A) the representations, warranties and covenants of the Issuer contained herein, to the best of the knowledge of such Chairman, are true and correct in all material respects on and as of the date of Closing with the same effect as if made on the date of Closing; and

(B) to the best of the knowledge of such Chairman, the Issuer has complied in all material respects with all agreements and satisfied in all material respects all of the

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conditions on its part to be performed or satisfied at or prior to the Closing;

(viii) A certificate dated the date of Closing executed by the chief financial officer of the Company to the effect that:

(A) the representations and warranties of the Company in this Bond Purchase Agreement are true and correct in all material respects as of the date of Closing;

(B) the Preliminary Official Statement and the Official Statement, as of their respective dates, insofar as they relate to the Company do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and

(C) no event affecting the Company occurred since the date of the Bond Purchase Agreement which is required to be disclosed in the Official Statement in order to make the statements and information therein not misleading in any material respect;

(ix) Two executed copies of the Indenture, the Financing Agreement, the Bond Purchase Agreement, the Thirtieth Supplemental Indenture and the Continuing Disclosure Agreement;

(x) Two copies of the Articles of Incorporation and By-laws of the Company, as amended to the date of Closing, and of the resolutions of the Board of Directors of the Company authorizing and approving the execution and delivery of this Bond Purchase Agreement, the Financing Agreement, the First Mortgage Bond, the Thirtieth Supplemental Indenture, the Continuing Disclosure Agreement and the incurrence of indebtedness with respect thereto and all transactions described in the Official Statement and contemplated by this Bond Purchase Agreement, all certified by its Secretary or Assistant Secretary;

(xi) Two copies of the Resolution;

(xii) A letter from KPMG Peat Marwick dated the date of Closing and addressed to the Underwriter consenting to the use of the financial statements prepared by such firm and all references to such firm contained in the Preliminary Official Statement and the Official Statement;

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(xiii) Evidence of the issuance of the Municipal Bond New Issue Insurance Policy by FGIC which unconditionally and irrevocably guarantees the payment when due of the principal of and interest on the 1995 Bonds;

(xiv) Evidence satisfactory to the Underwriter of a rating of "AAA" assigned by Standard & Poor's and a rating of "AAA" assigned by Fitch Investors Service, Inc., and that such ratings are in full force and effect as of the date of Closing; and

(xv) Such additional documentation as the Underwriter or its counsel or Bond Counsel may reasonably request to evidence compliance with applicable law and the validity of the Bonds, the Financing Agreement, the Indenture, this Bond Purchase Agreement, the First Mortgage Indenture, the First Mortgage Bond and the Continuing Disclosure Agreement, and to evidence that the interest on the Bonds is not includable in gross income under the Code and the status of the offering under the Securities Act of 1933 and the Trust Indenture Act of 1939.

(d) At Closing there shall not have been any material adverse change in the financial condition of the Company or any adverse development concerning the business or assets of the Company which would result in a material adverse change in the prospective financial condition or results of operations of the Company from that described in the Official Statement which, in the judgment of the Underwriter, makes it inadvisable to proceed with the sale of the Bonds; and the Underwriter shall have received certificates of the Company certifying that no such material adverse change has occurred or, if such a change has occurred, full information with respect thereto; and

(e) The Underwriter shall deliver at Closing a certificate in form acceptable to Bond Counsel to the effect that the Underwriter has sold to the public (excluding bond houses and brokers) a substantial amount of the Bonds at initial offering prices no higher than, or yields no lower than, those shown on the cover page of the Official Statement and that such certificate may be relied upon for purposes of determining compliance with Section 148 of the Code.

12. Events Permitting the Underwriter to Terminate. The Underwriter may terminate its obligation to purchase the Bonds at any time before Closing if any of the following occurs:

(a) A legislative, executive or regulatory action or proposed action or a court decision which, in the judgment of the Underwriter, casts sufficient doubt on the legality of, or the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds so

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as to materially impair the marketability or materially lower the market price thereof; or

(b) Any action by the Securities and Exchange Commission or a court which would require registration of the Bonds or the First Mortgage Bond under the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939; or

(c) Any general suspension of trading in securities on the New York Stock Exchange or the establishment, by the New York Stock Exchange, by the Securities and Exchange Commission, by any federal or state agency, or by the decision of any court, of any limitation on prices for such trading, or any outbreak of hostilities or other national or international calamity or crisis, or any material escalation in any such hostilities, calamity or crisis, the effect of which on the financial markets of the United States shall be such as to make it impracticable for the Underwriter to enforce contracts for the sale of the Bonds; or

(d) Any event or condition which, in the reasonable judgment of the Underwriter, renders untrue or incorrect, in any material respect as of the time to which the same purports to relate, the information contained in the Official Statement, or which requires that information not reflected in the Official Statement or Appendices thereto should be reflected therein in order to make the statements and information contained therein not misleading in any material respect as of such time; provided that the Issuer, the Company and the Underwriter will use their best efforts to amend or supplement the Official Statement to reflect, to the satisfaction of the Underwriter, such changes in or additions to the information contained in the Official Statement; or

(e) pending or threatened litigation affecting or arising out of the ownership of the Project Facilities or any other facilities of the Company or the issuance of the Bonds which in the reasonable judgment of the Underwriter would materially impair the marketability or materially lower the market price of the Bonds; or

(f) Sufficient quantities of the Official Statement are not delivered to the Underwriter in a timely manner as required by Section 10 hereof.

If the Underwriter terminates its obligation to purchase the Bonds because any of the conditions specified in Section 11 or this Section 12 shall not have been fulfilled at or before the Closing, such termination shall not result in any liability on the part of the Issuer, the Underwriter, or,

except for the payment of such costs of issuance described in Section 13 hereof which are due and payable, the Company.

13. Expenses. All expenses and costs of the authorization, issuance, sale and delivery of the Bonds including, without limitation, the preparation of and furnishing to the Underwriter of the Preliminary Official Statement and the Official Statement, the preparation and execution of the Bonds, the Financing Agreement, the Indenture, the First Mortgage Bond, the Thirtieth Supplemental Indenture and this Bond Purchase Agreement, rating agency fees, the issuance and closing fees of the Issuer, the fees and disbursements of Bond Counsel, the fees and disbursements of counsel to the Underwriter and the expenses incurred in connection with qualifying the Bonds for sale under the securities laws of various jurisdictions and preparing Blue Sky and legal investment memoranda shall be paid by the Company as provided in this Bond Purchase Agreement. The Issuer shall bear no out-of-pocket expense in connection with the transactions contemplated by this Bond Purchase Agreement. The Underwriter will pay all other expenses of the Underwriter in connection with the public offering of the Bonds.

14. Execution in Counterparts. This Bond Purchase Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any of the parties hereto may execute this Bond Purchase Agreement by signing any such counterpart.

15. Notices and Other Actions. All notices, requests, demands and formal actions hereunder will be in writing mailed, telegraphed or delivered to:

The Underwriter:

Legg Mason Wood Walker, Incorporated  
1735 Market Street, 11th Floor  
Philadelphia, Pennsylvania 19103

Attention: George C. Werner, III  
Vice President

The Company:

Philadelphia Suburban Water Company  
762 Lancaster Avenue  
Bryn Mawr, Pennsylvania 19010

Attention: Michael P. Graham  
Senior Vice President and Treasurer

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The Issuer:

Delaware County Industrial Development  
Authority  
14 West Front Street  
Media, Pennsylvania 19063

Attention: Kathy A. Robson

16. Governing Law. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania and may not be assigned by the Issuer, the Company or the Underwriter.

17. Successors. This Bond Purchase Agreement will inure to the benefit of and be binding upon the parties and their respective successors and, as to Sections 6 and 7 above, the directors, officers, employees and agents of the Issuer, and will not confer any rights upon any other person. The term "successor" shall not include any holder of any Bonds merely by virtue of such holding.

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IN WITNESS WHEREOF, the Issuer, the Company and the Underwriter have caused their duly authorized representatives to execute and deliver this Bond Purchase Agreement as of the date first written above.

DELAWARE COUNTY INDUSTRIAL  
DEVELOPMENT AUTHORITY



which, in the Company's opinion, render the Facilities or such system uneconomical for their intended purposes.

Schedule I-2

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CONSTRUCTION AND FINANCING

AGREEMENT

between

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

and

PHILADELPHIA SUBURBAN WATER COMPANY

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Dated as of August 15, 1995  
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CONSTRUCTION AND FINANCING AGREEMENT

THIS CONSTRUCTION AND FINANCING AGREEMENT, dated as of August 15, 1995, by and between the DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY, a body corporate and politic organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania (hereinafter called the "Authority"), party of the first part, and PHILADELPHIA SUBURBAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Corporation"), party of the second part,

WITNESSETH:

WHEREAS, the Authority was organized by the municipal authorities of the County of Delaware, pursuant to the Economic Development Financing Law of the Commonwealth of Pennsylvania, the Act of August 23, 1967, P.L. 251, as amended (the "Act"), which Act declares it to be the policy of the Commonwealth of Pennsylvania to promote the health, safety, morals, employment, business opportunities and general welfare of the people thereof by providing for the creation of industrial and commercial development authorities which shall exist and operate as public instrumentalities of the Commonwealth for the public purpose of alleviating unemployment, maintaining employment at a high level, eliminating and preventing blight and eliminating or reducing air and water pollution, and creating and developing business opportunities by the construction, improvement, rehabilitation, revitalization and financing of industrial, commercial, manufacturing and research and development enterprises; and

WHEREAS, the Act declares that every authority incorporated under it shall be for the purpose of acquiring, holding, constructing, improving, maintaining, owning, financing and leasing, as lessor or as lessee, among other things, facilities for the furnishing of water; and

WHEREAS, the Corporation is engaged primarily in the activity, under the regulatory control of the Pennsylvania Public Utility Commission, of furnishing water available on reasonable demand to members of the general public; and

WHEREAS, the Authority adopted resolutions on June 28, 1994 and March 28, 1995 providing for the issuance and sale by the Authority of its revenue bonds to provide funds for the costs of acquisition, construction, installation and equipping of the Facilities (hereinafter defined); and

WHEREAS, in connection with the issuance by the Authority of its revenue bonds to provide funds for the cost of the Facilities, the Corporation is to enter into this Construction and Financing Agreement

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(hereunder called the "Agreement") under which the Authority agrees to loan funds to the Corporation for the construction and installation of the Facilities and the Corporation agrees to pay to the Authority, in repayment of the loan, amounts sufficient to amortize such revenue bonds; and

WHEREAS, the Corporation has commenced the acquisition, construction, installation and equipping of the Facilities; and

WHEREAS, the Corporation now desires the Authority to proceed with the issuance and sale of its revenue bonds to provide the funds to pay the cost of the Facilities; and

WHEREAS, the Authority, by due corporate action, has authorized the issuance and sale of a maximum of \$22,000,000 principal amount of its Water Facilities Revenue Bonds (Philadelphia Suburban Water Company Project), Series of 1995 (hereinafter called the "1995 Series Bonds"), the proceeds to be used to pay and to reimburse the Corporation for its payment of the costs of acquiring, constructing, installing and equipping the Facilities; and

WHEREAS, the 1995 Series Bonds are to be issued under and secured by a Trust Indenture (hereinafter called the "Indenture"), dated as of August 15, 1995, between the Authority and PNC Bank, National Association, a national banking association organized and existing under the laws of the United States of America and having its principal corporate trust office and place of business in Philadelphia, Pennsylvania, as trustee (hereinafter called the "Trustee"); and

WHEREAS, the proceedings to be undertaken by the Authority in respect of the acquisition, construction, installation and equipping of the Facilities and the financing thereof have been approved by the Secretary of Commerce of the Commonwealth of Pennsylvania;

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby and in consideration of the mutual covenant hereinafter contained, DO HEREBY AGREE as follows:

ARTICLE I.  
Definitions

Capitalized terms, not otherwise defined herein, shall have the meanings ascribed thereto in the Indenture.

For all purposes of this Agreement, the terms defined in this Article I shall have the meanings herein specified, unless the context clearly otherwise requires:

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Act:

"Act" shall mean the Act of August 23, 1967, P.L. 251, as amended, of the General Assembly of the Commonwealth of Pennsylvania, known as the Economic Development Financing Law, and all acts supplemental thereto or amendatory thereof.

Administration Expenses:

"Administration Expenses" shall mean the reasonable and necessary expenses incurred by the Authority with respect to this Agreement, the Indenture and the Facilities, including the Authority's annual administration fees and the compensation and expenses paid to the Trustee under the Indenture.

Agreement:

"Agreement" shall mean this Construction and Financing Agreement dated as of August 15, 1995, between the Authority and the Corporation, and any and all modifications, alterations, amendments and supplements hereto.

Authority:

"Authority" shall mean Delaware County Industrial Development Authority, the party of the first part hereto.

Authorized Corporation Representative:

"Authorized Corporation Representative" shall mean any of the persons at the time designated to act as such on behalf of the Corporation by written certificate furnished to the Authority and the Trustee containing the specimen signature of such person and signed on behalf of the Corporation by its President, Vice President, Treasurer or Assistant Treasurer. An Authorized Corporation Representative may be an employee of the Corporation.

Bonds:

"Bond" or "Bonds" shall mean any or all of the 1995 Series Bonds of the Authority authenticated and delivered under the Indenture.

The term "outstanding under the Indenture" or "outstanding thereunder" or "outstanding", when used with reference to Bonds, shall mean, as at any particular date, the aggregate of all Bonds authenticated and delivered under the Indenture, except:

- (a) Bonds cancelled at or prior to such date;
- (b) Bonds for the redemption of which cash shall have been

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theretofore deposited with the Trustee; provided that notice of such redemption shall have been given as provided in Article VII of the Indenture or provisions satisfactory to the Trustee shall have been made therefor;

(c) Bonds for the payment of which cash shall have been theretofore deposited with the Trustee in an amount equal to the principal amount thereof and interest thereon to maturity;

(d) Bonds otherwise deemed to be paid as provided in Section 13.01 of the Indenture; and

(e) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture.

Code:

The "Code" shall mean the Internal Revenue Code of 1986, as amended.

Completion Date:

"Completion Date" shall mean the date of completion of acquisition, construction, installation and equipping of the Facilities, as that date shall be certified pursuant to Section 3.07 hereof.

Construction Fund:

"Construction Fund" shall mean the fund so entitled created under Section 4.01 of the Indenture with respect to the Facilities.

Construction Period:

"Construction Period" shall mean the period between the beginning of the construction of the Facilities or the date on which the 1995 Series Bonds are first delivered to the initial purchasers thereof, whichever is earlier, and the Completion Date.

Continuing Disclosure Agreement:

"Continuing Disclosure Agreement" shall mean that certain Continuing Disclosure Agreement between the Corporation and the Trustee dated the date of issuance and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Corporation:

"Corporation" shall mean Philadelphia Suburban Water Company, a Pennsylvania corporation, or any corporation which is

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the surviving, resulting or transferee corporation in any merger, consolidation or transfer of assets permitted under Section 5.02 hereof.

Cost of Construction:

"Cost of Construction" in respect of the Facilities shall mean and be deemed to include all items within the definition of "cost" contained in the Act (73 P.S. ss. 373), including but not limited to (a) obligations of the Authority and the Corporation incurred for labor, materials and other expenses and to contractors, builders and materialmen in connection with the acquisition, construction, installation and equipping of the Facilities; (b) the cost of contract bonds and of insurance of all kinds that may be deemed by the Corporation to be desirable or necessary during the course of acquisition, construction, installation and equipping of the Facilities which is not paid by the contractor or contractors or otherwise provided for; (c) the expenses of the Corporation for engineering, including test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required or reasonably necessary for the proper completion of the Facilities; (d) legal,

accounting, financial, advertising, recording and printing expenses, the service fee of the Authority, compensation and expenses of the Trustee, and all other expenses incurred in connection with the issuance of the Bonds; (e) interest, not otherwise provide for, accruing upon the Bonds until completion of the Facility; (f) all other costs which the Authority and the Corporation shall be required to pay under the terms of any contract or contracts for the acquisition, construction, installation and equipping of the Facilities; and (g) any sums required to reimburse the Authority and the Corporation for advances made by them for any of the above items, or for any other costs incurred and for work done by them which are properly chargeable to the Facilities.

Counsel:

"Counsel" shall mean an attorney or firm of attorney at law (who may be employed by or counsel to the Trustee, the Authority or the Corporation) satisfactory to the Trustee.

Debt Service Fund:

"Debt Service Fund" shall mean the fund created under Section 5.03 of the Indenture.

Facilities:

"Facilities" shall mean the facilities for the furnishing of water in the counties of Bucks, Chester, Delaware and Montgomery which are to be acquired, constructed, installed and equipped and to be financed under this

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Agreement, less any deletions therefor and together with any additions, improvements and modification thereto and substitutions therefor made in accordance with the provisions of this Agreement. The Facilities are described more fully in Exhibit A hereto.

First Mortgage Bonds:

"First Mortgage Bonds" shall mean bonds of the Corporation issued and outstanding under the Mortgage Indenture.

Indenture:

"Indenture" shall mean the Trust Indenture dated as of August 15, 1995, between the Authority and PNC Bank, National Association as trustee, securing the Bonds, and any indenture supplemental thereto or amendatory thereof.

Loan:

"Loan" shall mean the financing provided by the Authority to the Corporation pursuant to Section 4.01 hereof to provide funds for and toward the Costs of Construction of the Facilities.

Loan Repayments:

"Loan Repayments" shall mean the payments to be made by the Corporation to the Authority pursuant to Section 4.02 hereof

Mortgage Indenture:

"Mortgage Indenture" shall mean the Indenture of Mortgage dated as of January 1, 1941 from the Corporation to The Pennsylvania Company for Insurances on Lives and Granting Annuities (now CoreStates Bank, N.A.), as Trustee, as supplemented and amended.

1995 Series Bonds:

"1995 Series Bonds" shall mean the Bonds of the Authority in the aggregate principal amount of \$22,000,000 designated the 6.35% Water Facilities Revenue Bonds (Philadelphia Suburban Water Company Project), Series

of 1995, issued under the Indenture to provide funds for and toward the Cost of Construction of the Facilities.

Participating Underwriter:

"Participating Underwriter" shall have the meaning ascribed thereto in the Continuing Disclosure Agreement.

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Permitted Encumbrances:

"Permitted Encumbrances" shall mean and include (a) liens for taxes, assessments and other governmental charges not delinquent or which can be paid without penalty; (b) unfiled inchoate mechanics' and materialmen's liens for construction work in progress; (c) workmen's, repairmen's, warehousemen's and carriers' liens and other similar liens, if any, arising in the ordinary course of business; (d) all the following, if they do not individually or in the aggregate materially impair the use of the Facilities or materially detract from the value thereof to the Corporation, viz: any easements, restrictions, mineral, oil, gas and mining rights and reservations, zoning laws and defects in title or other encumbrances to which the Facilities may be subject; (e) any lien for the satisfaction and discharge of which a sum of money deemed adequate by the Trustee is on deposit with the Trustee under the Indenture; (f) the lien of the Mortgage Indenture; (g) the rights of the Authority under this Agreement; and (h) the lien of the Indenture.

Plans and Specifications:

"Plans and Specifications" shall mean the plans and specifications prepared for the Facilities, duly certified by an Authorized Corporation Representative and on file at the principal office of the Corporation in Bryn Mawr, Pennsylvania, as the same may be revised from time to time prior to the Completion Date in accordance with Section 3.06 of this Agreement.

Tax Compliance Agreement:

"Tax Compliance Agreement" shall mean the Tax Compliance Agreement executed by the Authority and the Company in connection with the issuance of the Bonds.

Trustee:

"Trustee" shall mean PNC Bank, National Association, as trustee under the Indenture, and its successors as such trustee.

## ARTICLE II. Representations and Findings

SECTION 2.01. The Authority makes the following representations as the basis for the undertakings on the part of the Corporation herein contained:

(a) The Authority is a public instrumentality of the Commonwealth of Pennsylvania and a public body corporate and politic organized and existing under and pursuant to the Act;

(b) The Authority has power to enter into this Agreement and to perform and observe the agreements and covenants on its part contained

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herein; and by proper corporate action has duly authorized the execution and delivery hereof; and the execution and delivery of this Agreement by the Authority and its performance of its obligations hereunder to the best of its

knowledge do not and will not violate or constitute a default under the Authority's Articles of Incorporation or bylaws or any agreement, indenture, mortgage, lease, note or other obligation or instrument or order or regulation of any court or administrative agency binding upon the Authority;

(c) Under existing statutes and decisions no taxes on income or profits are imposed on the Authority; and

(d) As required by the Act, the Secretary of Commerce of the Commonwealth of Pennsylvania has approved under date of June 29, 1995, the proceedings to be undertaken in respect of the issuance and sale of the 1995 Series Bonds and the construction of the Facilities.

SECTION 2.02. The Corporation makes the following representations as the basis for the undertakings on the part of the Authority herein contained:

(a) The Corporation is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania, and has all required corporate power to enter into this Agreement and to perform and observe the agreements and covenants on its part contained herein; the Corporation by proper corporate action has duly authorized the execution and delivery of this Agreement; and the execution and delivery of this Agreement by the Corporation and its performance of its obligations hereunder do not and will not violate or constitute a default under the Corporation's Articles of Incorporation or bylaws or any agreement, indenture, mortgage, lease, note or other obligation or instrument or any order of any court or administrative agency binding upon the Corporation;

(b) The cost of the Facilities, as defined in the Act (73 P.S. ss. 373), is estimated by the Corporation at the date of execution hereof to be not less than \$22,976,650;

(c) The Facilities are to be located in the Counties of Delaware, Chester, Montgomery and Bucks and within the authorized service area of the Corporation; and

(d) No part or unit of the Facilities was first placed in service earlier than one year prior to the date hereof.

SECTION 2.03. The Authority hereby confirms its findings that:

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(a) The Corporation is of a nature and size and is engaged in activities which require substantial capital, is financially responsible to assume all obligations prescribed by the Authority and the Act and is qualified to be an "occupant" for purposes of the Act; and

(b) The project to be undertaken by the Authority hereunder will promote the purposes of the Act by protecting the health, safety and general welfare of the people of Pennsylvania and encouraging economic development within Pennsylvania through the provision of basic services and facilities, thereby alleviating unemployment, maintaining employment at a high level and creating and developing business opportunities.

ARTICLE III.  
Completion of the Facilities;  
Issuance of the Bonds

SECTION 3.01. Work on certain of the Facilities has been commenced or has been completed.

SECTION 3.02. The Corporation will cause the acquisition, construction, installation and equipping of the Facilities to be completed with all reasonable dispatch for and at the expense of the Authority, as herein provided, substantially in accordance with the Plans and Specifications. In order to effectuate the purposes of this Agreement the Corporation will make, execute, acknowledge and deliver, or cause to be made, executed, acknowledged and delivered, all such contracts, orders, receipts, writings and instructions, in

the name of the Corporation or otherwise, with or to other persons, firms or corporations, and in general do or cause to be done all such other things as may be requisite or proper for acquiring, constructing, installing and equipping the Facilities and fulfilling the obligations of the Corporation under this Agreement.

The Corporation will maintain such records in connection with the acquisition, construction, installation and equipping of the Facilities as to permit ready identification of the Facilities, and the Cost of Construction thereof.

SECTION 3.03. In order to provide funds for payment of the Cost of Construction of the Facilities the Authority will sell, issue and deliver to the initial purchasers thereof, the 1995 Series Bonds and deliver the proceeds thereof to the Trustee. A sum equal to the accrued interest, if any, paid by the initial purchasers of the 1995 Series Bonds shall be deposited in the Debt Service Fund and the balance of the proceeds received from said sale shall be deposited in the Construction Fund.

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SECTION 3.04. In the Indenture, the Authority has authorized and directed the Trustee to make payments from the Construction Fund to pay the Cost of Construction of the Facilities upon receipt of requisitions signed by an Authorized Corporation Representative, stating with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm or corporation to whom payment is due, (3) the amount to be paid, (4) the general purpose for which the obligation, item of cost or expense was incurred, and (5) that each obligation, item of cost or expense mentioned therein has been properly incurred, is a proper charge against the Construction Fund and has not been the basis of any prior withdrawal.

SECTION 3.05. The Corporation will cause such requisitions to be submitted to the Trustee as may be necessary to effect payments out of the Construction Fund in accordance with the provisions of the Indenture; provided, however, that the Corporation will not submit any requisition for payment of any item not properly included in the cost of the Facilities as defined in the Act or which, if paid, would result in less than substantially all the proceeds from the 1995 Series Bonds being used to acquire, construct, install and equip the Facilities.

SECTION 3.06. The Corporation may revise the Plans and Specifications, including revisions to add structures, equipment, fixtures and machinery not described in Exhibit A hereto and to modify or delete structures, equipment, fixtures and machinery described therein, at any time and from time to time prior to the Completion Date, provided that in the case of a material change (i) an Authorized Corporation Representative shall certify to the Trustee that the Facilities provided for by the revised Plans and Specifications will constitute facilities for the furnishing of water meeting the requirements of Section 142(a)(4) of the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder; and (ii) the Trustee shall be furnished with an unqualified opinion of Counsel experienced in matters relating to the issuance of, and tax exemption of interest on, bonds issued by states and their political subdivisions that the revision of the Plans and Specifications and the expenditure of moneys from the Construction Fund to pay the Cost of Construction of the Facilities in accordance with the revised Plans and Specifications will not impair the exemption of interest on the Bonds from federal income taxation.

SECTION 3.07. When all the Facilities are completed, the Corporation shall so notify the Authority and the Trustee by a certificate of an Authorized Corporation Representative. Such certificate shall establish the Completion Date and shall state that, except for amounts retained by the Trustee at the Corporation's direction for any Cost of Construction of the Facilities not then due and payable or the liability for payment of which is being contested or disputed by the Corporation, (i) acquisition, construction, installation and

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equipping of the Facilities have been completed substantially in accordance with the Plans and Specifications, and all labor, services, materials and supplies used therefor have been paid for; and (ii) all other facilities necessary in connection with the Facilities have been acquired, constructed, installed and equipped in accordance with the Plans and Specifications, and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights against third parties which exist at the date thereof or which may subsequently come into being.

SECTION 3.08. If the moneys in the Construction Fund shall not be sufficient to pay the Cost of Construction of the Facilities in full, the Corporation will complete the Facilities and pay all that portion of the Cost of Construction thereof in excess of the moneys available therefor in the Construction Fund. The Authority does not make any warranty, either express or implied, that the moneys which will be paid into the Construction Fund will be sufficient to pay the Cost of Construction of the Facilities. If the Corporation shall pay any portion of the Cost of Construction of the Facilities pursuant to the provisions of this Section, it shall not be entitled to any reimbursement therefor from the Authority, the Trustee or the holders of any of the Bonds, nor shall it be entitled to any diminution in or postponement of the Loan Repayments required in Section 4.02 hereof to be paid by the Corporation.

SECTION 3.09. In the event of default of any contractor or subcontractor under any contract made by it in connection with the Facilities or in the event of a breach of warranty with respect to any materials, workmanship or performance guaranty, the Corporation may proceed, either separately or in conjunction with others, to pursue such remedies against the contractor or subcontractor so in default and against each surety for the performance of such contract as it may deem advisable. The Corporation will advise the Authority of the steps it intends to take in connection with any such default. If the Corporation shall so notify the Authority, the Corporation may, in its own name or in the name of the Authority, prosecute any action or proceeding or take any other action involving any such contractor, subcontractor or surety which the Corporation deems reasonably necessary, and in such event the Authority will cooperate fully with the Corporation. Any amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing prior to the Completion Date shall be paid into the Construction Fund, and any amounts so recovered after the Completion Date shall be retained by or paid to the Corporation.

SECTION 3.10. Any moneys held in any Fund under the Indenture shall be invested or reinvested as provided in Article VI of the Indenture. The Corporation shall not request any investment of such moneys which would be in

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violation of the covenant of the Authority contained in the final paragraph of Section 6.03 of the Indenture.

#### ARTICLE IV.

Loan by Authority to Corporation;  
Repayment of Loan; Security for Payment;  
Assignment to Trustee; Operation and  
Maintenance; Insurance and Indemnification;  
Liens; and Payments in Lieu of Taxes

SECTION 4.01. The Authority on this date is lending to the Corporation the sum of \$22,000,000 being the proceeds of the issuance of the Bonds.

SECTION 4.02. The Corporation shall pay to the Authority, as and for the repayment of the loan, (a) on the Business Day prior to each interest payment date for, maturity date of, or date for redemption of, Bonds, as the case may be, an amount which, together with other moneys available for the purpose in the Debt Service Fund under the Indenture, will equal the sum of (i) the interest which will become due on such date on the Bonds, plus (ii) the

principal amount of the Bonds, if any, maturing on such date, plus (iii) the principal amount of and premium, if any, on the Bonds, if any, to be redeemed on such date, and (b) on any date on which Bonds shall be declared to be and shall become due and payable prior to their stated maturity pursuant to the provisions of the Indenture, an aggregate amount equal to the sum of the principal, premium, if any, and interest so becoming due and payable on the Bonds. Nothing herein contained shall be construed as imposing on the Authority or on the Trustee any duty or responsibility of giving any prior notice to the Corporation of the due date of any Loan Repayment hereunder, or of the amount on deposit in the Bond Fund, or of the amount of any credits available to the Corporation against any Loan Repayment and failure by the Corporation to receive any such prior notice, even if customarily given by the Authority or the Trustee, shall not relieve the Corporation of its obligation to make any Loan Repayment when it is due and payable.

All such payments shall be made in funds which will be immediately available funds at the place of payment on the payment date in question. The Corporation shall have the option to make prepayment, from time to time, in whole or in part of any amount due as aforesaid on account of the loan, together with interest accrued and to accrue with respect to such prepayment. The Authority shall direct the Trustee to apply such prepayments to the purchase or redemption of Bonds in such manner, consistent with the provisions of the Indenture, as may be directed by the Corporation.

In the event the Corporation shall fail to make any of the payments required in this Section, the item or payment so in default shall continue as an

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obligation of the Corporation until the amount in default shall have been fully paid, and the Corporation will pay the same with interest thereon from the due date until paid at the highest rate per annum borne by the Bonds.

The obligation of the Corporation to make Loan Repayments hereunder is subject to acceleration as set forth in Sections 7.02 hereof.

SECTION 4.03. To further secure the obligation of the Corporation to make repayment of the loan, the Corporation will execute and deliver its First Mortgage Bonds under the Mortgage Indenture in one or more series, in such principal amounts and with such interest rates, interest payment and maturity dates and redemption provisions as may correspond to such provisions of the 1995 Series Bonds issued and sold by the Authority. Contemporaneously with the execution and delivery of this Agreement the Corporation is executing and delivering, as security for its obligation to make Loan Repayments, its First Mortgage Bonds, 6.35% Series Due 2025, in the principal amount of \$22,000,000 which contain provisions with respect to interest rate, interest payment and maturity dates, redemption and acceleration of maturity corresponding to such provisions of the 1995 Series Bonds.

SECTION 4.04. It is understood and agreed that the obligations of the Corporation to make the payments due under this Agreement and the First Mortgage Bonds securing those obligations are to be assigned and pledged by the Authority to the Trustee. The Corporation assents to such assignment and pledge and agrees that, as to the Trustee, its obligation to make such payments and the payments required under the First Mortgage Bonds shall be absolute and unconditional and shall not be subject to any defense other than payment or to any right of set off, counterclaim or recoupment arising out of any breach by the Authority of any obligation to the Corporation, whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to the Corporation by the Authority. The Authority directs the Corporation, and the Corporation agrees, to pay to the Trustee at its principal corporate trust office all payments pursuant to this Agreement and the payments required under the First Mortgage Bonds.

So long as any Bonds are outstanding, the Corporation will pay to the Authority on each of the Loan Repayment dates referred to in Section 4.02 of this Agreement the amount of Administration Expenses not theretofore provided for which have then accrued and become payable.

SECTION 4.05. The Corporation will maintain, preserve, and keep the Facilities or cause the Facilities to be maintained, preserved and kept, with

the appurtenances and every part and parcel thereof, in good repair, working order and condition and, from time to time, will make or cause to be made all

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such repairs, replacements and renewals as it deems necessary. The Authority shall not operate the Facilities or have any obligation to maintain them.

The Corporation shall have the privilege of remodeling the Facilities or making substitutions, modifications and improvements to the Facilities from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, the cost of which remodeling, substitutions, modifications and improvements shall be paid by the Corporation and the same shall be the property of the Corporation and be included under the terms of this Agreement as part of the Facilities.

SECTION 4.06. At all times during the term of this Agreement the Corporation will keep the Facilities continuously insured in accordance with the requirements of the Mortgage Indenture. The Corporation releases the Authority and the Trustee from, agrees that the Authority and the Trustee shall not be liable for, and agrees to indemnify and hold the Authority and the Trustee, and their agents, employees and servants, harmless from, any liability arising out of the construction of the Facilities or the Loan. If any such claim is asserted, the Authority or the Trustee will give prompt notice to the Corporation and the Corporation will assume the defense thereof, with full power to litigate, compromise or settle the claim in its sole discretion. The Corporation will reimburse the Authority or the Trustee, as the case may be, for all direct costs, including reasonable attorney's fees, properly incurred in connection therewith.

SECTION 4.07. The Corporation will pay or cause to be discharged or make adequate provision to satisfy and discharge, within sixty (60) days after the same shall accrue, any lien or charge upon any Loan Repayments hereunder or upon any First Mortgage Bonds pledged as security for the payment thereof and all lawful claims or demands which, if unpaid, might be or become a lien upon any Loan Repayments hereunder or upon any First Mortgage Bonds pledged as security for the payment thereof, except Permitted Encumbrances; provided, that, if the Corporation shall first notify the Authority and Trustee of its intention so to do, the Corporation may in good faith contest any such lien or charge or claim or demand in appropriate legal proceedings, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom, unless the Authority or the Trustee shall notify the Corporation in writing that, in the opinion of Counsel, by nonpayment of any such items the lien of the Indenture as to the Loan Repayments payable pursuant to this Agreement or as to any First Mortgage Bonds pledged as security for the payment thereof will be materially endangered, in which event the Corporation shall promptly pay and cause to be satisfied and discharged all such unpaid items. The Authority will cooperate fully with the Corporation in any such contest.

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SECTION 4.08. So long as the Corporation operates the Facilities, they will be used for purposes permitted by the Act and as facilities for the furnishing of water.

SECTION 4.09. The Corporation will pay, or cause to be paid, in addition to the payments provided for in Section 4.02 and Section 4.07 hereof, all of the expenses of operation of the Facilities, including, without limitation, the cost of all necessary and proper repairs, replacements and renewals made pursuant to Section 4.05 hereof.

SECTION 4.10. It is understood and agreed that the payments under Section 4.02 hereof and other charges payable hereunder shall continue to be payable at the time and in the amounts herein specified, whether or not the

Facilities, or any portion thereof, shall have been destroyed by fire or other casualty, or title thereto, or the use thereof, shall have been taken by the exercise of the power of eminent domain, and that there shall be no abatement of any such payments and other charges by reason thereof.

ARTICLE V.  
Special Covenants

SECTION 5.01. The Authority makes no warranty, either express or implied, as to the actual or designed capacity of the Facilities, as to the suitability of the Facilities for the purposes specified in this Agreement, or that the Facilities will be suitable for the Corporation's purposes or needs.

SECTION 5.02. The Corporation will maintain its corporate existence and its qualification to do business in Pennsylvania, will not dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge into another corporation; provided, however, that the Corporation may consolidate with or merge into another corporation, or sell or otherwise transfer to another corporation all or substantially all its assets as an entirety and thereafter dissolve, if (a) the successor corporation assumes in writing all the obligations of the Corporation herein and in the First Mortgage Bonds, and (b) if the successor corporation is not a Pennsylvania corporation, said successor shall either qualify to do business in Pennsylvania or file with the Trustee a consent to service of process in Pennsylvania in form satisfactory to the Trustee.

If consolidation, merger or sale or other transfer is made as permitted by this Section, the provisions of this Section shall continue in full force and effect and no further consolidation, merger or sale or other transfer shall be made except in compliance with the provisions of this Section.

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SECTION 5.03. The Corporation will operate the Facilities as part of its system for the furnishing of water to the general public at rates approved by the Public Utility Commission of the Commonwealth of Pennsylvania, and to that end will maintain in force and effect the requisite franchises, operating rights, certificates of public convenience and necessity, tariffs, licenses and permits.

SECTION 5.04. In the event it may be necessary for the proper performance of this Agreement on the part of the Authority or the Corporation that any application or applications for any permit or license to do or to perform certain things be made to any governmental or other agency by the Corporation or the Authority, the Corporation and the Authority shall execute upon the request of the other such application or applications.

SECTION 5.05. The Authority will maintain its corporate existence and duly will procure any necessary renewals and extensions thereof; will use its best efforts to maintain, preserve and renew all its rights, powers, privileges and franchises; and will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Facilities. The Authority further covenants that it will not voluntarily or knowingly take or fail to take any action that would result in the loss of any exemption from taxes which it presently enjoys or to which it may subsequently become entitled.

SECTION 5.06. The Corporation hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Agreement, failure of the Corporation to comply with the Continuing Disclosure Agreement shall not be considered an event of default; however, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate principal amount in Outstanding Bonds, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Corporation to comply with its obligations under this Section 5.06.

SECTION 5.07. The Company will not take any action or fail to take any action (including the requirement to make rebate payments to the United States

as required under Section 148(f) of the Code and the Tax Compliance Agreement) which would cause the Bonds to be "arbitrage bonds" within the meaning of Sections 103(b) and 148(a) of the Code or would otherwise cause interest on the Bonds to be includible in the gross income of the holders thereof (except with respect to the interest on the Bonds when such Bonds are held by a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code).

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ARTICLE VI.  
Assignment, Leasing and Selling

SECTION 6.01. The Corporation will not sell, lease or otherwise dispose of or encumber the Facilities except as provided in this Section 6.01. The Corporation may sell or otherwise dispose of any machinery, fixtures, apparatus, tools, instruments or other movable property constituting part of the Facilities which the Corporation deems no longer to be needed or useful in its operation of the Facilities; provided, that if the original cost of acquisition of such machinery, fixtures, apparatus, tools, instruments or other movable property shall be more than \$100,000, the Corporation shall, in writing, certify to the Authority that such items are no longer needed or useful in its operation of the Facilities. Any proceeds thereof shall be paid to the Trustee for deposit in the Construction Fund.

The Authority will assign its rights under and interest in this Agreement, and will pledge and assign all Loan Repayments and security therefor, including the First Mortgage Bonds of the Corporation pledged as security therefor, and receipts and revenues receivable under or pursuant to this Agreement, and income earned by the investment of funds held under the Indenture, to the Trustee pursuant to the Indenture as security for payment of the principal of, premium, if any, and interest on the Bonds, but such assignment or pledge shall be subject to this Agreement. The Authority will not otherwise sell, assign, transfer, convey or dispose of the revenues from the Facilities or the First Mortgage Bonds during the term of this Agreement, nor will it take any action which may reasonably be construed as tending to cause or induce the levy of special assessments against the Facilities or such revenues or the First Mortgage Bonds, nor will it create or suffer to be created any lien or charge upon the Facilities or such revenues or the First Mortgage Bonds except Permitted Encumbrances.

SECTION 6.02. This Agreement may be assigned in whole or in part and the Facilities may be sold or leased as a whole or in part by the Corporation, subject, however, to the following conditions:

(a) No sale, assignment or leasing (other than pursuant to Section 5.02 hereof) shall relieve the Corporation from primary liability for any of its obligations hereunder, and in the event of any such sale, assignment or leasing the Corporation shall continue to remain primarily liable for the payments specified in Section 4.02 hereof and for performance and observance of the other agreements on its part herein provided;

(b) The purchaser, assignee or lessee from the Corporation shall assume the obligations of the Corporation hereunder to the extent of the interest assigned or leased;

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(c) The Corporation shall, at least fifteen (15) days prior to the delivery thereof, furnish or cause to be furnished to the Authority for its information only a true and complete copy of each such proposed sale agreement, assignment or lease, as the case may be, and shall furnish to the Authority and the Trustee an executed copy thereof following execution; and

(d) The Corporation shall pay the Authority's reasonable costs and expenses incurred, and the Authority's reasonable fees charged in connection with such sale, assignment or lease.

(e) The Corporation shall furnish to the Trustee an opinion of Counsel nationally recognized as expert in matters relating to the issuance of obligations by states and political subdivisions thereof and the exemption of interest thereon from Federal income taxation to the effect that the proposed sale, assignment or lease, as the case may be, will not adversely affect the exemption from federal income taxation of interest on the Bonds or any of them.

ARTICLE VII.  
Events of Default and Remedies

SECTION 7.01. The following shall be "events of default" under this Agreement, and the terms "event of default" or "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by the Corporation to pay when due any Loan Repayments.

(b) Failure by the Corporation to pay when due any payment required to be made under this Agreement other than Loan Repayments, which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Corporation by the Authority or the Trustee, unless the Corporation is contesting in good faith its obligation to make the payment or the Authority and the Trustee shall agree in writing to an extension of such time prior to its expiration.

(c) Failure by the Corporation to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsections (a) and (b) of this Section, which failure shall continue for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the Corporation by the Authority or the Trustee, unless the Authority and the Trustee shall agree in writing to an extension of such time prior to its expiration.

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(d) The dissolution or liquidation of the Corporation or the filing by the Corporation of a voluntary petition under the laws of the United States relating to bankruptcy, or failure by the Corporation promptly to procure the dismissal of an involuntary petition in bankruptcy filed against it, or an assignment by the Corporation for the benefit of its creditors, or the entry by the Corporation into an agreement of composition with its creditors, or the appointment by a court of competent jurisdiction of a receiver for the Corporation. The term "dissolution or liquidation of the Corporation", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Corporation resulting either from a merger or consolidation of the Corporation into or with another corporation or a dissolution or liquidation of the Corporation following a transfer of all or substantially all its assets as an entirety under the conditions permitting such actions contained in Section 5.02 hereof.

A failure by the Authority to observe or perform any covenant or agreement herein contained on its part to be observed or performed shall not constitute an event of default hereunder, but the Corporation shall be entitled to enforce the observance and performance by the Authority of any of its covenants or agreements herein contained by such remedies at law or in equity as it deems desirable, subject to the limitation of liability set forth in Section 8.03 hereof.

The foregoing provisions of this Section are subject to the following limitations: If by reason of acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the Commonwealth of Pennsylvania or any department, agency, political subdivision or official of either of them, or any civil or military authority; insurrections; riots; epidemics; landslides; lightning;

earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery; partial or entire failure of utilities; or any cause or event not reasonably within the control of the Corporation, the Corporation is unable in whole or in part to carry out its agreements herein contained, other than the obligations on the part of the Corporation contained in Sections 4.02 hereof, the Corporation shall not be deemed in default during the continuance of such inability. However, the Corporation agrees to use its best efforts to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Corporation, and the Corporation shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course, in the judgment of the Corporation, is unfavorable to the Corporation. Any failure of the Corporation

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to perform its obligations under Sections 4.02 hereof shall constitute a default regardless of the reason for such failure to perform.

SECTION 7.02. Whenever any event of default referred to in Section 7.01 hereof shall have happened and be subsisting, any one or more of the following remedial steps may be taken, provided the default has not theretofore been cured;

(a) The Authority, at its option, may declare the unpaid principal balance of the loan to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Authority may take any action at law or in equity to collect the payments then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under this Agreement and under the First Mortgage Bonds. All amounts collected pursuant to action taken under this Section shall be applied in accordance with the Indenture.

SECTION 7.03. No remedy conferred upon or reserved to the Authority by this Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice other than such notice as may be herein expressly required.

SECTION 7.04. If the Corporation shall default under any of the provisions of this Agreement and the Authority shall employ attorneys or incur other expenses for the collection of Loan Repayments or to secure possession of or to resell the Facilities or for the enforcement of performance or observance of any obligation or agreement on the part of the Corporation contained in this Agreement or in the First Mortgage Bonds, the Corporation, on demand therefor, will reimburse the Authority for reasonable fees of such attorneys and such other reasonable expenses so incurred.

SECTION 7.05. In the event any agreement contained in this Agreement shall be breached by either party and such breach shall thereafter be waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. In view of the assignment of the Authority's rights in and under this Agreement to the Trustee

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under the Indenture, the Authority shall have no power to exercise any right hereunder or waive any default hereunder by the Corporation without the consent of the Trustee to such exercise or waiver, or, if the maturity of the outstanding Bonds shall have been accelerated at the request of the holders of the Bonds, the consent of the holders of a majority in principal amount of the Bonds then outstanding. In the event any default by the Corporation hereunder shall have been waived as a default under the Indenture by the holders of the requisite majority in principal amount of the Bonds, no consent of the Trustee shall be required, and the Authority shall be obligated to waive the Corporation's default hereunder.

ARTICLE VIII.  
Miscellaneous

SECTION 8.01. This Agreement shall terminate upon (i) payment in full of the Bonds (including interest and premium, if any, thereon), or the making of provision for payment thereof in accordance with the provisions of the Indenture, (ii) payment of all other reasonable and necessary obligations incurred by the Authority to pay the Cost of Construction of the Facilities, including interest, premium and other charges, if any, thereon, and (iii) payment of Administration Expenses. Any amounts, other than amounts being held for payment of the Bonds or other payments referred to in the preceding sentence, then remaining in the Bond Fund and other Funds established under the Indenture shall belong to and be paid to the Corporation by the Trustee as overpayment of the Loan Repayments.

SECTION 8.02. All notices, certificates, requests or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: if to the Authority, at 14 W. Front Street, Media, Pennsylvania 19063; if to the Corporation, at 762 Lancaster Avenue, Bryn Mawr, Pennsylvania 19010, Attention: Vice President (Finance); and if to the Trustee, at PNC Bank, National Association, 1700 Market Street, Philadelphia, PA 19103 Attention: Corporate Trust Department. A duplicate copy of each notice, certificate, request or other communication given hereunder to the Authority, the Corporation or the Trustee shall also be given to the others. The Corporation, the Authority and the Trustee, by giving notice as above provided, may designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

SECTION 8.03. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the Corporation and their respective successors and assigns, subject to the limitation that any obligation or liability of the Authority created by or arising out of this Agreement shall not be a general debt or liability of the Authority, but shall be payable solely out of the

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proceeds derived from this Agreement, the First Mortgage Bonds, or the sale of the Bonds or income earned on invested funds as provided herein and in the Indenture.

SECTION 8.04. This Agreement may be amended in any respect but only by written agreement of the parties hereto, subject to the limitations upon such amendments set forth in the Indenture.

SECTION 8.05. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same Agreement.

SECTION 8.06. If any clause, provision or section of this Agreement be held illegal or invalid by any court, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof, and this Agreement shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained herein. In case any agreement or obligation contained in this Agreement be held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the Authority or the Corporation, as the case may be, only to the

extent permitted by law.

SECTION 8.07. The laws of the Commonwealth of Pennsylvania shall govern the construction and interpretation of this Agreement.

SECTION 8.08.

(a) The Corporation agrees that at all times it will protect and hold the Authority and its officers, members, employees and agents (including, but not limited to, the Authority's legal counsel), past, present and future, harmless and indemnified from and against all claims for losses, damages or injuries to the Trustee or others, including death, personal injury and property damage or loss, arising during the term hereof or during any other period when the Authority has, had or shall have any interest in the Facilities or arising out of the use thereof or any activity conducted thereon or in any other manner connected therewith, directly or indirectly, including but not limited to claims arising out of the acquisition, construction, installation, equipping and operation of the Facilities; and the Authority, and its officers, members, employees and agents, past, present and future, shall not be liable for any loss, damage or injury to the person or property of the Corporation or its agents, servants or employees or any other person who or that may be upon the Facilities or damaged or injured as a result of any condition existing or activity occurring upon the Facilities or any other matter connected directly or

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indirectly therewith due to any act or negligence of any person, excepting only willful misconduct or gross negligence of the Authority, and its officers, agents, members or employees, past, present and future.

(b) The Corporation hereby covenants and agrees that it will indemnify the Trustee against any and all claims arising out of the Trustee's exercise and performance of powers and duties granted unto it by the Indenture and hereunder in good faith and without gross negligence.

(c) The Corporation will indemnify, hold harmless and defend the Authority and the Trustee and the respective officers, members, directors, employees and agents (including, but not limited to, the Authority's legal counsel) each of them, past, present and future, against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature, including, specifically, (i) any liability under any state or federal securities laws (including, but not limited to attorney's fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) and (ii) any and all costs and expense arising out of, or from, any state or federal environmental laws (including, without limitation, costs of remediation, attorney's fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to: (i) the design, construction, installation, operation, use, occupancy, maintenance or ownership of the Facilities (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto); or (ii) any statements or representations with respect to Corporation, the Project, this Agreement, the Bonds, the Indenture or any other document or instrument delivered in connection with the issuance of the Bonds (including any statements or representations made in connection with the offer or sale thereof) made or given to the Authority, the Trustee or any underwriters or purchasers of any of the bonds, by the Corporation or any of its directors, officers, agents or employees, including but not limited to, statements or representations of facts, financial information or corporate affairs. The Corporation also will pay and discharge and indemnify and hold harmless the Authority and the Trustee from (i) any lien or charge upon payments by the Corporation to the Authority and the Trustee under this Agreement and (ii) any taxes (including, without limitation, any ad valorem taxes and sales taxes, assessments, impositions and other charges in respect of any portion of the Facilities). If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges are sought to be imposed, the Authority or the Trustee will give prompt notice to Corporation, and Corporation will have the sole right and duty to assume, and will assume, the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion.

(d) If the indemnification provided herein is for any reason determined to be unavailable to the Authority or the Trustee, then, with respect to any such loss, claim, demand or liability, including expenses in connection therewith, the Authority and the Trustee, as appropriate, shall be entitled as a matter of right to contribution by the Corporation. The amount of such contribution shall be in such proportion as is appropriate to reflect relative culpability of the parties.

(e) The Corporation will not make any claim against the Authority, nor shall the Authority be liable for any damage or injury to any property of the Corporation or any other person on the Facilities or to any part of the Facilities due to any cause whatsoever, nor will the Corporation resist the Authority's claim to indemnification on the ground that the right to such claim is not set forth herein with sufficient particularity.

SECTION 8.09.

(a) The Corporation hereby expressly acknowledges that the Authority is a conduit issuer and that all of the right, title and interest of the Authority in and to this Agreement are to be assigned to the Trustee (except for the right of the Authority to receive its reasonable fees and expense and to indemnification), naming the Trustee its true and lawful attorney for and in its name to enforce the terms and conditions of this Agreement. Notwithstanding any other provision contained herein, the Corporation hereby expressly agrees, acknowledges and covenants that to the extent practicable it shall duly and punctually perform or cause to be performed each and every duty and obligation of the Authority hereunder and under the Indenture.

(b) The Corporation shall neither sue the Authority, or any of its members, officers, agents or employees, past, present or future, for any costs, damages, expenses, suits, judgments, liabilities, claims, losses, demands, actions or nonactions based upon this financing or sustained in connection with or as a result of this financing nor ever raise as a defense in any proceedings whatsoever that the Authority is a true party in interest. Notwithstanding any other provisions of this Agreement, the Corporation shall be entitled to (i) bring an action of specific performance against the Authority to compel any action required to be taken by the Authority hereunder or an action to enjoin the Authority from performing any action prohibited by this instrument, but no such action shall in any way impose pecuniary liability against the Authority or any of its members, officers, agents or employees, past, present and future, (ii) join the Authority in any litigation if such joinder is necessary to pursue any of the Corporation's rights, provided that prior to such joinder, the Corporation shall post such security as the Authority may require to further protect the Authority from loss and (iii) pecuniary remuneration from the Authority for damage or loss suffered by Corporation by

reason of the willful misconduct of the Authority or any of its members, officers, agents or employees, past, present or future.

SECTION 8.10.

(a) In the event of any default by the Authority hereunder, and notwithstanding any provision or obligation to the contrary herein before or hereinafter set forth, the liability of the Authority its incorporator, officers, members, agents and employees, past, present or future, shall be limited to its interest in the Facilities, the improvements thereon, the rents, issues and profits therefrom, and the lien of any judgment shall be restricted thereto. The Authority, its incorporator, officers, members, agents and employees, past, present or future, do not assume general liability nor specific liability for the repayment of any mortgage or other loan, or for the costs,



the Chairman of Delaware County Industrial Development Authority, a public body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania, and that she as such officer, being authorized to do so, executed the foregoing Construction and Financing Agreement for the purposes therein contained by signing the name of Delaware County Industrial Development Authority by herself as its Chairman.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

[SEAL]

Mary Lou Super  
-----  
Notary Public  
My Commission Expires

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COMMONWEALTH OF PENNSYLVANIA :  
: ss.:  
  
COUNTY OF PHILADELPHIA :

On this the 28th day of August, 1995, before me the undersigned notary public personally appeared Michael P. Graham, who acknowledged himself to be a Vice President of Philadelphia Suburban Water Company, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, and that he as such officer, being authorized to do so, executed the foregoing Construction and Financing Agreement for the purposes therein contained by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

[SEAL]

Mary Lou Super  
-----  
Notary Public  
My Commission Expires

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EXHIBIT A

TO  
CONSTRUCTION AND FINANCING  
AGREEMENT DATED AS OF AUGUST 15, 1995 BY AND  
BETWEEN DELAWARE COUNTY INDUSTRIAL DEVELOPMENT  
AUTHORITY AND PHILADELPHIA SUBURBAN WATER COMPANY

The following projects are the Facilities and will be financed with the proceeds of the Bonds and will be owned by the Corporation (dollar amounts are maximum Bond proceeds allocable to each category):

- (a) New and Replacement Customer Water Lines (\$2,330,000): to be installed in townships throughout Chester, Delaware and Montgomery counties.
- (b) New and Replacement Water Meters (\$3,490,000): consisting of approximately 11,750 meters automatically read by telephone and approximately 12,990 conventional manually read meters to be installed in various townships throughout Chester, Delaware and Montgomery counties.
- (c) Acquisition of Water Treatment Equipment (\$299,000) consisting of

equipment related to water treatment and quality, flow control and testing and monitoring, more specifically described as follows:

Bucks County:

Middletown Twp.: filtering, monitoring and testing equipment at the Neshaminy Creek Treatment Plant at 2520 W. Lincoln Hwy., Oakford, PA

Chester County:

East Bradford Twp.: monitoring equipment at Radley Mews Well on Queens Way and tap for sampling at Birmingham Storage Tank on Birmingham Rd. Northeast of Rt. 52.

East Goshen Twp.: sampling tap at Milltown Storage tank on Edgewood Road.

Schuylkill Twp.: monitoring equipment at the Pickering West Treatment Plant on Rt. 23, Phoenixville, PA.

Westtown Twp: monitoring equipment at Chateau Well near 1124 Chateau Drive and sampling tap at Radley Run Storage Tank located at Radley Run.

West Goshen Twp.: taps for sampling at Boot Rd. Storage Tank on Boot Rd. and Whitford Hill Storage Tank near 306 N. Whitford Rd.

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Delaware County:

Newtown Twp.: replacement chlorine detectors at Mitchell Booster on Newtown Rd. north of Goshen Rd.

Springfield Twp: new and replacement treatment equipment for the Crum Creek Treatment Plant at 965 Beatty Rd.

Montgomery County:

Abington Twp.: monitoring equipment at North Hills Well on Chelsea Ave., 200 ft. north of Walnut Ave.

Lower Merion Twp.: laboratory equipment for testing water quality at PSWCo's laboratory located at 762 Lancaster Ave., Bryn Mawr, PA

Springfield Twp.: replacement of flow meter at Oreland Well at Roesch Ave., 700 ft. south of Walnut Ave.

Plymouth Twp.: replacement of flow meter at Plymouth Well on Sandy Hill Rd. at Hallowell.

West Whiteland Twp.: replacement of flow meter at Hollow Run Well on Pottstown Pike next to Hollow Run Apts.

(d) Installation of Tie-In Water Mains (\$1,406,000) consisting of water mains to cross connect or tie in various lines in the distribution system for improved distribution (including fire service) capability. Mains to be installed at the following locations:

Chester County:

Easttown Twp.: Church Road from west of Ladderback to east of Wetherby Ln.

Malvern Borough:  
South Warren Ave. from Paoli Pike to 2nd Ave.

King Rd. from Sugartown Rd. to west of Prestside Way  
Carters Grove Rd. from Sugartown Rd. to Malvern Ave.

Tredyffrin Twp:  
Swedesford Rd. from West Valley Rd. to west of Old Eagle  
School Rd.  
North Valley Rd. and intersection of Central and North Valley  
Rd.

West Goshen Twp.:  
King Rd. from Heritage Dr. to Boot Rd.  
Burke Rd. and Old Pottstown Pike in Brandywine Knoll  
Development  
West Chester Pike from east of Green Ln. to McDaniels Dr.

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West Whiteland Twp:  
King Rd. from east of Queens Dr. to Princess Ln.  
Burke Rd. from Douglass Dr. to proposed Waltz Lea Development

Delaware County:

Darby Twp: Madison Ave. from Lawton Terrace to Magnolia Ave.

Upper Darby Twp:

Bond Ave. from Roberts Ave. to Blythe Ave.  
Sansom St. from Shirley Rd. to Long Ln.

Willistown Twp.: Paoli Pike from Harvey Ln. to Long Ln.

Montgomery County:

Abington Twp.: Reservoir Ln. from Old Welsh Rd. to Reservoir  
Ave.

Lower Merion Twp.:  
Barr Ln. from east of Righters Mill Rd. to Conshohocken State  
Rd.  
Elmwood Ave. from Russo Rd. to School St.

Radnor Twp.:  
Intersection of Morris Rd. and Old Sugartown Rd.

Upper Moreland/Horsham Twps.: Commerce Ave. from north of  
Maryland Rd. to Township Line Rd.

Whitemarsh Twp.:  
Right-of-way from Pear Tree Lane to 30 inch right-of-way

(e) Installation of New Water Mains due to road construction (\$542,000)  
at the following locations:

Delaware County:

Glenolden Borough: MacDade Blvd. west of Benson Ave. and east  
of South Ave.  
Folcroft Twp.: Chester Pike btwn Oak Ave. and King Ave.

Delaware/Chester Counties:

Upper Merion/Tredyffrin Twps:  
Rte. 202/422 interchange at Swedesford Rd. bridge  
North Gulph Rd. and Rte. 422 at PA Turnpike bridge

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Montgomery County:

Abington Twp.: Roy Ave. btwn Old York Rd. and Edgehill Rd.  
Radnor Twp.: Spring Mill Rd. bridge at Rte. 320

Springfield Twp.:  
Valley Green Rd. west of Camp Hill Rd.6  
Jug handle at the intersection of New Ave. and Pleasant Ave.

Whitemarsh Twp.: Ridge Pike west of Birch Rd.

(f) Water Main Replacements (\$6,561,000) for reduced breakage and to improve water flow and fire protection capabilities:

Chester County:

East Whiteland Twp.:

Paoli Pike btwn Chester Valley Station and Rte. 30  
Lancaster Ave. btwn Phoenixville Pike and Church Rd.  
Prospect Ave. from Rte. 30 to end of Prospect Ave.  
Lancaster Ave. from Church Rd. to Malin Rd.

Malvern Borough: Woodland Ave. from King Rd. to Roberts Ln.

Tredyffrin Twp.:  
Diamond Rock to Paoli btwn Swedesford Rd. and Central Ave.  
Fairview Rd. from Upper Gulf Rd. to west of Henry Ave.

West Whiteland Twp.: northern section of Meadowbrook Manor Development.

Westtown Twp.: Garden Circle btwn Wilmington Pike and Goodwin Ln.

Edgemont/Willistown/Westtown Twps.: West Chester Pike btwn Township Line and MacDaniels Dr.

Delaware County:

Haverford Twp.: Central Ave. from Fairview Rd. to north of Bon Air Terrace.

Lower Merion Twp.:  
Balwyn Pl. from Bala Ave. to end of Balwyn Pl.  
Pennsylvania Ave. from Old Lancaster Ave. to Bryn Mawr Ave.  
North Wyoming from Lancaster Ave. north to end of North Wyoming.

Marple Twp.:  
Grant Ave. btwn Lincoln Ave. and Worthington Ave.  
Glen Spring Rd. from Rose Hill Rd. to end of Rose Hill Rd.

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Swarthmore Twp.: Cornell Ave. from Yale Ave. to Westdale Ave.

Tinicum Twp.:  
Industrial Hwy. btwn Stewart Ave. and Wanamaker Ave. and Ave. btwn Carre Ave. and Lagrange Ave.

Yeadon Twp.: Rockland Ave. from South Longacre Blvd, and Whitby Ave.

Abington Twp.: Meetinghouse Rd. from Greenwood Rd. to

Township Line Rd.  
Cheltenham Twp.:  
Railroad Ave. from Roberts west to the end of Railroad Ave.  
Greenwood Ave. from Hedgerow Ln. to west of Salisbury Rd.

Conshohocken Twp.:  
Washington St. from Ash St. to Cherry St. and Washington St.  
from Lime St. to Perry St.

(g) Pumping and Purification Equipment (\$621,000) consisting of replacement and improvement of equipment at PSWCO's water treatment facilities, booster stations and wells as follows:

Bucks County:

Middletown Twp.: pumping and purification equipment at the Neshaminy Creek Treatment Plant at 2520 W. Lincoln Hwy., Oakford, PA

Chester County:

East Goshen Twp.: pumping equipment at Grand Oak Well opposite 711 Red Maple Dr. and Goshen Downs Well adjacent to 1262 Upton Circle

East Whiteland Twp.: pump meter at King Rd. Booster Station on King Rd. near Immaculata College in Malvern.

Schuylkill Twp.: replacement and installation of various items of pumping and purification equipment at Pickering East and West Treatment Plants on Rt. 23, Phoenixville, PA

Uwchlan Twp.: replacement of well pump and sewer and sample drain at Saybrook Well on Saybrook La.

West Whiteland Twp.: replacement of pumping equipment at Shoen Rd. Well on Shoen Rd.

Willistown Twp.: replacement of pumping equipment at Greentree Booster on King Rd. bet. Duffryn Ave. and Arlington Rd.

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Delaware County:

Springfield Twp.: modifications to boiler, replacement of pumping and monitoring equipment at Crum Creek Plant at 965 Beatty Rd.

Montgomery County:

Lower Merion Twp.: Computerized distribution system upgrades and additions at 762 Lancaster Ave., Bryn Mawr, PA.

Oreland: replacement of well pump at Oreland Well at Roesch Ave., 700 ft. south of Walnut Ave.

Plymouth Twp.: replacement of valve at Karr's Lane Well on Karrs Lane west of Little Ave.

Upper Dublin Twp.: replacement of pumping equipment at Aidenn Lair Well on Arran Way south of Limerick La.

Upper Merion Twp.: vapor barrier, booster pump replacement, control equipment at Upper Merion Reservoir and Well on County Line Rd., King of Prussia, PA

(h) Other Capital Projects (\$8,200,000) consisting of the following:

Bucks County:

Middletown Twp.: plant automation and new laboratory at Neshaminy Creek Treatment Plant at 2520 W. Lincoln Hwy., Oakford, PA.

Chester County:

Schuylkill Twp.: construct storage facility at Pickering Creek Plant and automation of filters at Pickering East Treatment Plant on Rt. 23, Phoenixville, PA.

Uwchlan Twp.: construct tank booster on Whitford Rd.

Willistown Twp.: construct Malvern Booster Station on King Rd. near Hickory booster

West Whiteland Twp.: tie-in water main and booster on Ship Rd. from Michelle Rd. to south of Springdale Dr.

Delaware County:

Springfield Twp.: automated bulk lime system at Crum Creek Plant at 965 Beatty Rd.

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Montgomery County:

Upper Moreland Twp.: pump and related upgrades at Willow Grove Booster Station at Nash and Forrest Aves., Willow Grove

Upper Moreland Twp.: purchase of land, design and construction of Eastern Operations Center for construction and maintenance operations for distribution system consisting of an 18,000 sq. ft. two-story building on a five acre site containing approximately 9,000 sq. ft. of office space and 9,000 sq. ft. of storage and repair garage space located on Computer Dr., Willow Grove, PA.

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This schedule contains summary financial information extracted from the consolidated balance sheet at September 30, 1995, and the consolidated statements of income and cash flow for the nine months ended September 30, 1995 and is qualified in its entirety by reference to such financial statements.

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