Table of Contents

As filed with the Securities and Exchange Commission on July 8, 2002.

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Philadelphia Suburban Corporation

(Exact name of registrant as specified in its charter)

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

762 W. Lancaster Avenue

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

Roy H. Stahl

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

Copies to:

Stephen A. Jannetta	Charles S. Whitman, III	Andrew A. Bernstein
Morgan, Lewis & Bockius LLP	Davis Polk & Wardwell	Cleary, Gottlieb, Steen & Hamilton
1701 Market Street	450 Lexington Avenue	41, avenue de Friedland
Philadelphia, Pennsylvania 19103-2921	New York, New York 10017	75008 Paris, France
(215) 963-5000	(212) 450-4000	(33-1) 40.74.68.00

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Shares to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, par value $.50 per share	9,885,256	$18.56	$183,470,351	$16,880
Preferred Stock Purchase Rights	(2)	(2)	(2)	(3)

(1) Estimated solely for the purpose of computing the registration fee, pursuant to Rule 457 under the Securities Act, and, in accordance with Rule 457(c) under the Securities Act, based on the average of the high and low reported sale prices of the common stock of Philadelphia Suburban Corporation on the New York Stock Exchange on July 5, 2002.

(2) Each share of our common stock includes one preferred stock purchase right.

(3) Pursuant to Rule 457(i) of the Securities Act, there is no additional filing fee with respect to the preferred stock purchase rights, because there will not be any additional consideration received in connection with these rights.

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

Table of Contents

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

SUBJECT TO COMPLETION, DATED JULY , 2002

8,595,875 Shares

PHILADELPHIA SUBURBAN CORPORATION

Common Stock

The shares of our common stock are being sold by the selling shareholders. We will not receive any of the proceeds from the shares of our common stock sold by the selling shareholders.

Our common stock is listed on the New York Stock Exchange and the Philadelphia Stock Exchange under the symbol “PSC.” The last reported sale price of our common stock on the New York Stock Exchange on July 5, 2002 was $18.56 per share.

Investing in our common stock involves risk. See “Risk Factors” beginning on page 6 of this prospectus.

The underwriters have an option to purchase a maximum of 1,289,381 additional shares of our common stock from the selling shareholders to cover over-allotments of shares, if any.

	Per Share	Total
Public offering price	$	$
Underwriting discount and commissions	$	$
Proceeds to selling shareholders	$	$

The underwriters expect to deliver the shares to purchasers on or about , 2002.

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

Joint Book-Running Managers

Deutsche Bank Securities **UBS Warburg**

The date of this prospectus is , 2002

Table of Contents

Philadelphia Suburban Corporation
Operating Divisions

Customers by State (as of March 31, 2002)	
Pennsylvania	395,722
Ohio	85,142
Illinois	64,049
New Jersey	38,345
Maine	16,900
North Carolina	5,513
Total	**605,671**

★ PSC corporate headquarters/ Philadelphia Suburban division

● Other operating divisions

○ Major metropolitan hubs

Table of Contents

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TABLE OF CONTENTS

TABLE OF CONTENTS

Unless the context otherwise requires, references in this prospectus to “we,” “us” and “our” refer to Philadelphia Suburban Corporation and its direct and indirect subsidiaries. In addition, references to Pennsylvania Suburban Water refer to our wholly-owned subsidiary, Pennsylvania Suburban Water Company, and its subsidiaries, and references to Consumers Water refer to our wholly-owned subsidiary, Consumers Water Company, and its subsidiaries.

You should rely only on the information contained in this prospectus and the documents incorporated by reference. We have not authorized anyone to provide you with information different from that contained in this prospectus. The information in this document may only be accurate on the date of this document.

FORWARD-LOOKING STATEMENTS

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

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

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

- changes in general economic, business and financial market conditions;
- changes in government regulations, including environmental regulations;
- changes in environmental conditions;
- abnormal weather conditions;
- changes in capital requirements;
- our ability to integrate businesses, technologies or services which we may acquire;
- our ability to manage the expansion of our business;
- the extent to which we are able to develop and market new and improved services;
- the effect of the loss of major customers;
- our ability to retain the services of key personnel and to hire qualified personnel as we expand;
- unanticipated capital requirements;
- increasing difficulties in obtaining insurance and increased cost of insurance;
- cost overruns relating to improvements or the expansion of our operations; and
- civil disturbance or terroristic threats or acts.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this prospectus and the documents that we incorporate by reference in this prospectus

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

PROSPECTUS SUMMARY

This summary highlights material information contained elsewhere in this prospectus. Because it is a summary, it may not contain all of the information that may be important to you. Before making an investment decision, you should read this entire prospectus as well as the documents incorporated by reference herein. Unless otherwise indicated, the information in this prospectus assumes that the underwriters' over-allotment option is not exercised.

Philadelphia Suburban Corporation

Philadelphia Suburban Corporation is the holding company for regulated utilities providing water or wastewater services to approximately 2 million people in Pennsylvania, Ohio, Illinois, New Jersey, Maine, and North Carolina. Our customer base is diversified among residential, commercial, industrial and wastewater customers. Residential customers make up the largest component of our customer base, representing approximately two-thirds of our total water revenues.

Our two primary subsidiaries are Pennsylvania Suburban Water Company, a regulated public utility that provides water or wastewater services to approximately 1.3 million residents in the suburban areas north and west of the City of Philadelphia and in eleven other counties in Pennsylvania, and Consumers Water Company, a holding company for several regulated public utility companies that provide water or wastewater service to approximately 700,000 residents in various communities in Illinois, Maine, New Jersey and Ohio. Other of our smaller subsidiaries provide water or wastewater services in parts of Pennsylvania, North Carolina and Ohio.

We are among the largest investor-owned water utilities in the United States based on the number of customers. In addition, we provide water and wastewater service to approximately 35,000 people through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. Some of our subsidiaries provide wastewater collection, treatment and disposal services (primarily residential) to approximately 40,000 people in Pennsylvania, Illinois, New Jersey and North Carolina.

We believe that acquisitions will continue to be an important source of growth for us. Exclusive of the Consumers Water Company merger in 1999 we have completed, as of March 31, 2002, 75 acquisitions or other growth ventures during the past five years adding approximately 67,300 customers to our customer base. The largest of these transactions was the acquisition of the water utility assets of Bensalem Township in December 1999, which added 14,945 customers. We are actively exploring other opportunities to expand our utility operations through acquisitions or otherwise.

With more than 50,000 community water systems and approximately 16,000 wastewater systems in the United States, the water industry is the most fragmented of the major utility industries (telephone, natural gas, electric and water). We believe that there are many potential water and wastewater system acquisition candidates. We believe the factors driving consolidation of these systems are:

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

Recent Developments

Pennichuck Acquisition

On April 29, 2002, we entered into an Agreement and Plan of Merger with Pennichuck Corporation pursuant to which we agreed to acquire Pennichuck through a merger of one of our wholly-owned subsidiaries with Pennichuck. As part of the proposed merger, we will issue shares of our common stock in exchange for all of the outstanding shares of Pennichuck common stock. The proposed merger is subject to certain regulatory approvals and must be approved by Pennichuck's shareholders. We are currently in the process of working with Pennichuck to prepare the proxy statement–prospectus that will be filed with the SEC in connection with the proposed transaction. Pennichuck is a holding company based in Nashua, New Hampshire whose operating utility subsidiaries serve approximately 28,200 water customers in service territories located in southern and central New Hampshire, and whose non-regulated operating subsidiaries develop real estate and provide water-related operating and management contract services.

Status of Pending Rate Cases

In November 2001, Pennsylvania Suburban Water Company filed an application with the Pennsylvania Public Utility Commission requesting a $28,000,000, or 13.4%, increase in annual revenues. We currently expect a ruling from the Pennsylvania Public Utility Commission concerning this rate increase request by August 9, 2002.

In addition, we have received approval for seven rate increases to date in 2002 in Ohio, North Carolina and Maine resulting in an increase in annual revenues of approximately $1,100,000. We have also filed other requests for rate increases in New Jersey and Ohio seeking approximately a $3,800,000 increase in annual revenues. We currently expect to receive rulings on these requests in the second half of 2002.

Our principal executive office is located at 762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania 19010-3489, and our telephone number is 610-527-8000.

The Offering

Common stock offered(1)	8,595,875 shares.
Common stock to be outstanding after this offering(2)	66,291,676 shares.
Selling Shareholders	Vivendi Water S.A. and Vivendi North America Company, each of which is a wholly-owned subsidiary of Vivendi Environnement S.A.
Indicated annual dividend rate	$0.53 per share.
Cash dividends paid since	1944.
Listing	New York Stock Exchange and Philadelphia Stock Exchange (Symbol: PSC).
Use of proceeds	We will not receive any of the proceeds from the sale of the shares of our common stock offered by the selling shareholders.

(1) Purchasers of offered shares will also receive preferred stock purchase rights.

(2) The outstanding share information is based upon the shares of common stock outstanding as of June 30, 2002 and is unchanged by the common stock offered and is adjusted to reflect the repurchase of 2,500,000 shares of common stock by us from Vivendi Water S.A. See “Relationship with Vivendi Environnement S.A. — Agreement to Repurchase Shares and Financing Plan.” This information excludes options to purchase approximately 2,297,000 shares of common stock outstanding as of June 30, 2002 under our stock option plans. In August 2001, our board of directors approved a 5-for-4 common stock split that was effected in the form of a 25% stock distribution on December 1, 2001 to holders of record on November 16, 2001. The share and per share data contained in this prospectus have been restated to give effect to this stock split.

Summary Consolidated Financial Data

The following table sets forth certain summary consolidated financial data derived from our audited consolidated financial statements for the years ended December 31, 1999, 2000 and 2001 and from our unaudited interim consolidated financial statements for the three months ended March 31, 2001 and 2002. The unaudited interim financial statements include, in the opinion of our management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our financial position and results of operations for the interim periods presented. You should read this summary consolidated financial data together with our historical consolidated financial statements and the notes thereto in the documents that we incorporate by reference in this prospectus.

	Years Ended December 31,			Three Months Ended March 31,	
	1999	2000	2001	2001	2002
				(unaudited)	
	(in thousands, except per share and operating data)				
Income Statement Data:					
Operating revenues	$256,546	$274,014	$307,280	$ 70,193	$ 71,669
Operating income	100,265(1)	116,789(2)	134,340	28,944	28,637
Depreciation and amortization	31,903	34,100	40,168	9,475	10,433
Gain on sale of other assets, net of tax(3)	468	2,994	2,041	1,678	209
Income from continuing operations, exclusive of certain non-recurring items	44,980(4)	50,654(5)	60,111	13,112(6)	11,890
Net income available to common stock	36,275(7)	52,784(8)	60,005	13,085(6)	11,875
Per Common Share Data:(9)					
Diluted income per common share:					
Income from continuing operations, exclusive of certain non-recurring items	$ 0.70(4)	$ 0.77(5)	$ 0.87	$ 0.19(6)	$ 0.17
Net income	0.56(7)	0.81(8)	0.87	0.19(6)	0.17
Cash dividends paid per common share	0.45	0.47	0.50	0.124	0.1325
Book value per share of common stock	5.69	6.38	6.90	6.48	6.96
Average common shares outstanding (diluted)(9)	64,539	65,414	68,755	68,247	69,300
Operating Data:					
Number of customers	557,462	579,219	602,510	586,155	605,671

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

(2) Includes a partial recovery of $1,136 of restructuring costs resulting from an April 2000 rate settlement. These costs were charged off in 1999 in connection with the Consumers Water merger.

(3) Represents gain on sale of land and marketable securities.

(4) Non-recurring items represent a charge of $6,334 ($6,134 after-tax or $0.10 per share) for the Consumers Water merger transaction costs and a charge for related restructuring costs of $3,787 ($2,462 after-tax or $0.04 per share).

(5) Non-recurring item represents a partial recovery of $4,041 ($2,236 after-tax or $0.04 per share) for the Consumers Water merger transaction and restructuring costs.

(6) Results include a gain on sale of land of $2,791 ($1,678 after-tax or $0.02 per share).

(7) Results include the net charges described in footnote (4) above.

(8) Results include the net recovery described in footnote (5) above.

(9) The share and per share data contained in this table have been restated to give effect to the 5-for-4 common stock split effected in the form of a 25% stock distribution on December 1, 2001 to holders of record on November 16, 2001.

	December 31,		March 31,	
	2000	2001	2001	2002
			(unaudited)	
Balance Sheet Data:				
Total assets	$1,413,723	$1,560,339	$1,436,895	$1,577,230
Property, plant & equipment, net	1,251,427	1,368,115	1,270,253	1,396,299
Capitalization:				
Long-term debt, including current portion	$ 472,712	$ 531,455	$ 487,805	$ 534,973
Stockholders' equity	432,347	473,833	442,419	478,958
Total capitalization	$ 905,059	$1,005,288	$ 930,224	$1,013,931

	March 31, 2002			
	Actual		As Adjusted(10)	
	Amount	Percent	Amount	Percent
	(unaudited)			
Capitalization:				
Long-term debt(11)	$ 534,973	52.8%	$534,973	
Stockholders' equity	478,958	47.2%		
Total capitalization(11)	$1,013,931	100.0%	$	100.0%
Short-term debt:				
Loans payable to banks under short-term lines of credit and revolving credit agreements	$ 119,780		$	

(10) Adjusted to reflect the repurchase of 2,500,000 shares of common stock by us from Vivendi Water S.A. See "Relationship with Vivendi Environnement S.A. — Agreement to Repurchase Shares and Financing Plan." Also adjusted assuming the completion of this offering at an assumed public offering price of $ per share.

(11) Includes current portion of long-term debt of $14,829.

RISK FACTORS

You should carefully consider the following risk factors and the section entitled "Forward-Looking Statements" before you decide to buy our common stock.

Our business requires significant capital expenditures and the rates we charge our customers are subject to regulation. If we are unable to obtain government approval of our requests for rate increases, or if approved rate increases are untimely or inadequate to cover our investments, our profitability may suffer.

The water utility business is capital intensive. On an annual basis, we spend significant sums for additions to or replacement of property, plant and equipment. Our ability to maintain and meet our financial objectives is dependent upon the rates we charge our customers. These rates are subject to approval by the public utility commissions of the states in which we operate. We file rate increase requests, from time to time, to recover our investments in utility plant and expenses. Once a rate increase petition is filed with a public utility commission, the ensuing administrative and hearing process may be lengthy and costly. The timing of our rate increase requests are therefore partially dependent upon the estimated cost of the administrative process in relation to the investments and expenses that we hope to recover through the rate increase to the extent approved. We can provide no assurances that any future rate increase request will be approved by the appropriate state public utility commission; and, if approved, we cannot guarantee that these rate increases will be granted in a timely or sufficient manner to cover the investments and expenses for which we initially sought the rate increase.

Our operating costs could be significantly increased in order to comply with new or stricter regulatory standards imposed by federal and state environmental agencies.

Our water and wastewater services are governed by various federal and state environmental protection and health and safety laws and regulations, including the federal Safe Drinking Water Act, the Clean Water Act and similar state laws, and state and federal regulations issued under these laws by the United States Environmental Protection Agency and state environmental regulatory agencies. These laws and regulations establish, among other things, criteria and standards for drinking water and for discharges into the waters of the United States and states. Pursuant to these laws, we are required to obtain various environmental permits from environmental regulatory agencies for our operations. We cannot assure you that we have been or will be at all times in total compliance with these laws, regulations and permits. If we violate or fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators. Environmental laws are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. While we have budgeted for future capital and operating expenditures to maintain compliance with them and our permits, it is possible that new or stricter standards could be imposed that will raise our operating costs. Although these costs may be recovered in the form of higher rates, there can be no assurance that the various state public utility commissions that govern our business would approve rate increases to enable us to recover such costs. In summary, we cannot assure you that our costs of complying with, or discharging liability under, current and future environmental and health and safety laws will not adversely affect our business, results of operations or financial condition.

Our business is subject to seasonal fluctuations, which could affect demand for our water service and our revenues.

Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with cooling systems, swimming pools, irrigation systems and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature and rainfall levels. In the event that temperatures during the typically warmer months are cooler than expected, or if there is more rainfall than expected, the demand for our water may decrease and adversely affect our revenues.

Drought conditions may impact our ability to serve our current and future customers, and may impact our customers' use of our water, which may adversely affect our financial condition and results of operations.

We depend on an adequate water supply to meet the present and future demands of our customers. Drought conditions could interfere with our sources of water supply and could adversely affect our ability to supply water in sufficient quantities to our existing and future customers. An interruption in our water supply could have a material adverse effect on our financial condition and results of operations. Moreover, governmental restrictions on water usage during drought conditions may result in a decreased demand for our water, even if our water reserves are sufficient to serve our customers during these drought conditions, which may adversely affect our revenues and earnings.

An important element of our growth strategy is the acquisition of water and wastewater systems. Any future acquisitions we decide to undertake may involve risks.

An important element of our growth strategy is the acquisition and integration of water and wastewater systems in order to broaden our current, and move into new, service areas. We will not be able to acquire other businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. Further, we may be required to integrate any businesses we acquire with our existing operations. The negotiation of potential acquisitions as well as the integration of acquired businesses could require us to incur significant costs and cause diversion of our management's time and resources. Future acquisitions by us could result in:

- dilutive issuances of our equity securities;
- incurrence of debt and contingent liabilities;
- fluctuations in quarterly results; and
- other acquisition-related expenses.

Some or all of these items could have a material adverse effect on our business and our ability to finance our business. The businesses we acquire in the future may not achieve sales and profitability that justify our investment and any difficulties we encounter in the integration process could interfere with our operations and reduce our operating margins. In addition, as consolidation becomes more prevalent in the water and wastewater industries, the prices for suitable acquisition candidates may increase to unacceptable levels and limit our ability to grow through acquisitions.

Contamination to our water supply may result in disruption in our services and litigation which could adversely affect our business, operating results and financial condition.

Our water supplies are subject to contamination, including contamination from the development of naturally-occurring compounds and chemicals in groundwater systems, and pollution resulting from man-made sources. In the event that our water supply is contaminated, we may have to interrupt the use of that water supply until we are able to substitute the flow of water from an uncontaminated water source. In addition, we may incur significant costs in order to treat the contaminated source through expansion of our current treatment facilities, or development of new treatment methods. If we are unable to substitute water supply from an uncontaminated water source, or to adequately treat the contaminated water source in a cost-effective manner, there may be an adverse effect on our revenues, operating results and financial condition. The costs we incur to decontaminate a water source or an underground water system could be significant and could adversely affect our business, operating results and financial condition.

In addition to the potential pollution of our water supply as described above, in the wake of the September 11, 2001 terrorist attacks and the ensuing threats to the nation's health and security, we have taken steps to increase security measures at our facilities and heighten employee awareness of threats to our water supply. We have also tightened our security measures regarding the delivery and handling of certain chemicals used in our business. We have and will continue to bear increased costs for security precautions to protect our facilities, operations and supplies. These costs may be significant. We are

currently not aware of any specific threats to our facilities, operations or supplies; however, it is possible that we would not be in a position to control the outcome of terrorist events should they occur.

We could also be held liable for consequences arising out of human exposure to hazardous substances in our water supplies or other environmental damage. For example, private plaintiffs have the right to bring personal injury or other toxic tort claims arising from the presence of hazardous substances in our drinking water supplies. Our insurance policies may not be sufficient to cover the costs of these claims.

We depend significantly on the services of the members of our senior management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our senior management team. The loss of the services of any member of our senior management or the inability to hire and retain experienced management personnel could harm our operating results.

RELATIONSHIP WITH VIVENDI ENVIRONNEMENT S.A.

General

Vivendi Environnement S.A., through its subsidiaries, is our largest shareholder. Vivendi Environnement is one of the leading providers of environmental management services in the world. Vivendi Environnement provides water and wastewater, waste management, energy and transportation services to a wide range of public authorities, industrial and commercial customers and individuals around the world. Vivendi Environnement's main shareholder, Vivendi Universal, owns approximately 48% of the shares of Vivendi Environnement. Upon the consummation of a capital increase currently being effected by Vivendi Environnement (which is expected to close on or about August 2, 2002), Vivendi Universal will own approximately 41% of the shares of Vivendi Environnement and will continue to be Vivendi Environnement's main shareholder. Vivendi Environnement, through its subsidiaries, owned approximately 16.1% of our outstanding common stock as of July 1, 2002. Vivendi Environnement has announced that its decision to sell its interest in our company is part of Vivendi Environnement's overall strategy to divest non-core assets and focus on leveraging its technology to establish long-term public-private partnerships with municipalities in the United States. We are filing the registration statement, of which this prospectus is a part, to facilitate the orderly re-distribution of a portion of the shares held by Vivendi Environnement's subsidiaries into the market. In addition, we have agreed, as described below, to repurchase from Vivendi Water S.A. up to 2,500,000 shares of our common stock at the public offering price set forth on the cover page of this prospectus. Following the offering and our repurchase of shares from Vivendi Water S.A., Vivendi Environnement and its subsidiaries will not own any shares of our common stock.

We have had and continue to have various discussions with representatives of Vivendi Environnement's subsidiary, United States Filter Corporation, exploring possible joint activities or alliances in such areas as water treatment devices, contract operations of water and wastewater systems and joint materials purchasing. For example, we have provided consulting services in the areas of customer services and information technology in support of United States Filter's contract operations proposal to the City of Indianapolis (which United States Filter won). Notwithstanding Vivendi Environnement's decision to sell its shares in us, United States Filter and we expect to continue these discussions and joint projects and explore other potential areas of cooperation following this offering.

Agreement to Repurchase Shares and Financing Plan

We entered into a Registration and Stock Purchase Agreement with Vivendi Environnement and the Selling Shareholders on July 8, 2002. The following is a summary of the material provisions of the Registration and Stock Purchase Agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part. The summary is qualified in its entirety by reference to the Registration and Stock Purchase Agreement, which is incorporated by reference herein.

The Registration and Stock Purchase Agreement provides that we will purchase from Vivendi Water S.A. up to 2,500,000 shares of our common stock held by Vivendi Water S.A. at the public offering price set forth on the cover page of this prospectus. If the underwriters elect to exercise their over-allotment option, the number of shares that we will be obligated to purchase from Vivendi Water S.A. will be reduced by the number of shares purchased by the underwriters in exercising such over-allotment option. We have agreed to pay Vivendi Environnement 50% of the aggregate amount of underwriting discounts and commissions paid by Vivendi Environnement or deducted by the underwriters in connection with the exercise of the over-allotment option.

The Registration and Stock Purchase Agreement requires that we prepare and file the registration statement of which this prospectus is a part and use commercially reasonable efforts to have the registration statement become effective. In addition, the Registration and Stock Purchase Agreement provides that Vivendi Environnement will pay the reasonable and documented expenses we incur in connection with the preparation and filing of the registration statement of which this prospectus is a part.

It is our intention to fund the purchase of the shares from Vivendi Water S.A. described above with the proceeds from a short-term credit facility. Interest under this short-term facility will be on terms substantially similar to our current short-term lines of credit. It is our current intention to repay these short-term borrowings with proceeds from the issuance of common stock or an instrument convertible into our common stock.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of the shares of our common stock offered by the selling shareholders.

PRICE RANGE OF COMMON STOCK AND DIVIDENDS

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

	High	Low	Quarterly Cash Dividends Paid
2000			
First Quarter	$14.08	$10.56	$ 0.1152
Second Quarter	15.96	11.60	0.1152
Third Quarter	15.56	12.80	0.1152
Fourth Quarter	19.95	13.56	0.124
2001			
First Quarter	$19.39	$15.65	$ 0.124
Second Quarter	20.40	16.60	0.124
Third Quarter	23.28	18.66	0.124
Fourth Quarter	24.64	20.80	0.1325
2002			
First Quarter	$24.61	$21.10	$ 0.1325
Second Quarter	25.00	18.49	0.1325
Third Quarter (through July 5, 2002)	20.01	18.43	—

On July 5, 2002 the last reported sale price of our common stock on the New York Stock Exchange was $18.56 per share. As of July 3, 2002, there were approximately 21,138 holders of record of our common stock.

In August 2001, our board of directors approved an increase of 6.9% in our dividend rate. As a result of this authorization, beginning with the dividend payment on December 1, 2001, the annual dividend rate increased to $0.53 per share. The increase in the December 1, 2001 dividend is the eleventh increase in our dividend in the past 10 years. Our board of directors also declared a 5-for-4 common stock split, effected in the form of a 25% stock distribution for all common shares outstanding, to shareholders of record on November 16, 2001. The new shares were distributed on December 1, 2001. The share and per share data, including the dividend, contained in this prospectus have been restated to give effect to this stock split. This stock split represents the fourth stock split issued in the form of a stock distribution in the last six years.

We or our predecessor companies have paid dividends each year since 1944. We presently intend to pay quarterly cash dividends in the future on March 1, June 1, September 1 and December 1, subject to our earnings and financial condition, regulatory requirements and such other factors as our board of directors may deem relevant.

We offer holders of record of less than 100,000 shares of our common stock the opportunity to reinvest part or all of the dividend payments on their shares of common stock through purchases of original issue common stock without payment of any brokerage commission or service charge through our dividend reinvestment and direct stock purchase plan. The purchase price for original issue shares of common stock purchased through the reinvestment of dividends is 95% of the average of the high and low prices of common stock for each of the five trading days immediately preceding the dividend payment date as reported on the New York Stock Exchange composite transactions reporting system. At June 30, 2002, holders of 17.3% of the shares of our common stock outstanding participated in the dividend reinvestment portion of this plan. This plan also permits shareholders and investors to invest up to $250,000 annually in our common stock in the open market through our transfer agent without payment of any brokerage commission or service charge.

THE WATER AND WASTEWATER UTILITY INDUSTRIES

With more than 50,000 community water systems in the U.S. (84% of which serve less than 3,300 customers), the water industry is the most fragmented of the major utility industries (telephone, natural gas, electric and water). The nation's water systems range in size from large municipally-owned systems, such as the New York City water system that serves approximately 9 million people, to small systems, where a few customers share a common well. In the states where we operate, we believe there are over 8,700 public water systems of widely varying size. While the water industry remains highly fragmented, the nation's larger investor-owned water utilities have experienced significant consolidation since 1998, with only five of the ten largest companies (companies with a market equity capitalization in excess of $100 million) remaining independent or not currently under agreement of sale.

Several important factors have contributed to the consolidation in the industry. The water industry is the most capital intensive of the utilities, with more capital invested per dollar of revenue than any other utility. Companies in the water industry, both municipally-owned and investor-owned, endeavor to provide reliable water service at affordable prices to their customers, while meeting stringent federal and state water quality standards and regulations. Continued capital investment is necessary to (1) repair and replace aging water distribution infrastructure, (2) expand existing systems in response to community growth and development, and (3) invest in new treatment plants and technology to meet water quality standards. In its Second Report to Congress in February 2001, the United States Environmental Protection Agency, or EPA, estimated that the nation's water systems must invest a minimum of $141.6 billion through 2018 to meet the requirements of the Safe Drinking Water Act of 1974, as amended. Advancing technology and the increasingly stringent drinking water regulations have transformed the drinking water industry into one that now demands a level of technological expertise that was previously not required. The costs associated with meeting more stringent water quality standards, coupled with the costs of replacing aging infrastructure, have caused many small, and some large, water utilities to sell their systems to larger, better capitalized water utilities that can afford the costs of making the necessary investments in their systems and have the requisite economies of scale.

Although not as fragmented as the water industry, the wastewater industry in the United States also presents opportunities for consolidation. According to an EPA survey of publicly-owned wastewater treatment facilities in 1996, there are approximately 16,000 such facilities in the nation serving approximately 72% of the United States population. The vast majority of wastewater facilities are government-owned rather than privately-owned. The EPA survey also indicated that there are approximately 3,500 wastewater facilities in operation or planned in the six states where we operate. The EPA estimates that approximately $140 billion will need to be invested in the nation's wastewater systems over the next 20 years to meet environmental standards.

Because of the fragmented nature of the water and wastewater utility industries, we believe that there are many potential water system acquisition candidates throughout the United States. We believe the factors driving consolidation of these water systems are:

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

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

PHILADELPHIA SUBURBAN CORPORATION

General

We are a holding company for regulated utilities providing water or wastewater services to approximately 2 million people in Pennsylvania, Ohio, Illinois, New Jersey, Maine and North Carolina. Our two primary subsidiaries are Pennsylvania Suburban Water Company, a regulated public utility that provides water or wastewater services to approximately 1.3 million residents in the suburban areas north and west of the City of Philadelphia and in eleven other counties in Pennsylvania, and Consumers Water Company, a holding company for several regulated public utility companies that provide water or wastewater service to approximately 700,000 residents in various communities in Ohio, Illinois, New Jersey and Maine. Other of our smaller subsidiaries provide water or wastewater services in parts of Pennsylvania, North Carolina and Ohio.

We are among the largest investor-owned water utilities in the United States based on number of customers. In addition, we provide water and wastewater service to approximately 35,000 people through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. Some of our subsidiaries provide wastewater services to approximately 40,000 primarily residential customers in Pennsylvania, Illinois, New Jersey and North Carolina. For the three months ended March 31, 2002, the operating revenues associated with wastewater services were approximately 3% of our consolidated operating revenues. Our ratio of customers to employees as of March 31, 2002 was over 600 to 1, which is one of the best ratios, from an efficiency perspective, in the water utility industry. Including all acquisitions or other growth ventures, our customer base increased at an annual compound rate of 4.1% during the three-year period of 1999 through 2001.

Our customer base is diversified among residential, commercial, industrial and wastewater customers. Residential customers make up the largest component of our customer base, with these customers representing approximately two-thirds of our total water revenues. Substantially all of our customers are metered, which allows us to measure and bill our customers' water consumption. Water consumption per customer is affected by local weather conditions during the year, especially during the late spring and early summer. In general, during these seasons, an extended period of dry weather increases water consumption, while above average rainfall decreases water consumption. Also, an increase in the average temperature generally causes an increase in water consumption. On occasion, abnormally dry weather in our service areas can result in governmental authorities declaring drought warnings and water use restrictions in the affected areas. The geographic diversity of our customer base reduces our exposure to extreme or unusual weather conditions in any one area of our service territory.

Acquisition Strategy

We are actively exploring opportunities to expand our utility operations through acquisitions or otherwise. As of March 31, 2002, exclusive of the Consumers Water merger in March 1999, we had completed 75 acquisitions or other growth ventures during the past five years. These transactions have added, as of March 31, 2002, approximately 67,300 customers to our customer base during this five-year period.

On April 29, 2002, we entered into an Agreement and Plan of Merger with Pennichuck Corporation pursuant to which we agreed to acquire Pennichuck through a merger of one of our wholly-owned subsidiaries with Pennichuck. As part of the proposed merger, we will issue shares of our common stock in exchange for all of the outstanding shares of Pennichuck common stock. The proposed merger is subject to certain regulatory approvals and must be approved by Pennichuck's shareholders. We are currently in the process of working with Pennichuck to prepare the proxy statement–prospectus that will be filed with the SEC in connection with the proposed transaction. Pennichuck is a holding company based in Nashua, New Hampshire whose operating utility subsidiaries serve approximately 28,200 water customers in service territories located in southern and central New Hampshire, and whose non-regulated operating subsidiaries develop real estate and provide water-related operating and management contract services.

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

We believe that any municipally-owned water or wastewater systems that we would acquire would be purchased with cash, while any investor-owned water or wastewater systems that we would acquire would be purchased with cash, shares of our common stock, shares of our preferred stock or a combination of each. We expect to generate the cash needed for acquisitions initially with the proceeds from the issuance of short-term debt, with subsequent repayment from earnings, the proceeds from the issuance of long-term debt and the proceeds from equity sold through our dividend reinvestment plan and our equity offerings. When we issue shares in connection with an acquisition, subject to the requirements of Rule 145 under the Securities Act of 1933, as amended, and any contractual restrictions, the shares may be resold immediately following the consummation of any such transaction. We are not currently a party to any definitive agreement or binding letter of intent with respect to a material acquisition.

Water Supplies and Water Facilities

Our water utility operations obtain their water supplies from surface water sources such as reservoirs, lakes, ponds, rivers and streams, in addition to obtaining water from wells and purchasing water from other water suppliers. Less than 10% of our water sales are purchased from other suppliers. We believe that we have all of the necessary permits to obtain the water we distribute. Our supplies are sufficient for anticipated daily demand and normal peak demand under normal weather conditions. Our supplies by service area are as follows:

- *Suburban Philadelphia* — The principal supply of water is surface water from the Schuylkill River, Delaware River, eight rural streams which are tributaries of the Schuylkill and Delaware Rivers, and the Upper Merion Reservoir, a former quarry now impounding groundwater. Wells and interconnections with adjacent municipal authorities supplement these surface supplies.

- *Pennsylvania (other than suburban Philadelphia)* — The Roaring Creek Division draws its water from a man-made lake within a 12,000 acre watershed and two wells also located in the watershed. The Susquehanna Division obtains its water supply from wells. The Shenango Division draws its water from the Shenango River. The Waymart Division's water supply is principally from wells.

- *Ohio* — Water supply is obtained for customers in Lake County from Lake Erie. Customers in Mahoning County obtain their water from man-made lakes and the Ashtabula division is supplied by purchased water. Water supply is obtained for customers in Stark and Summit Counties from wells.

- *Illinois* — Water supply is obtained for customers in Kankakee County from the Kankakee River and satellite wells, while customers in Vermilion County are supplied from Lake Vermilion. In Will, Lee, Boone, Lake and Knox counties, our customers are served from deep and shallow well systems.

- *New Jersey* — Water supply in our three non-contiguous divisions is obtained from wells and is supplemented with purchased water.

- *Maine* — Eleven non-contiguous water systems obtain their water supply as follows: five systems use groundwater, five systems use surface water and one system purchases water from a neighboring municipal district.

- *North Carolina* — Water supply in 161 non-contiguous divisions is obtained from wells and 2 divisions purchase water from neighboring municipalities.

We believe that the capacities of our sources of supply, and our water treatment, pumping and distribution facilities are generally sufficient to meet the present requirements of our customers. On a continuing basis, we make system improvements and additions to capacity in response to changing regulatory standards, changing patterns of consumption and increases in the number of customers. The various state public utility commissions have generally recognized the operating and capital costs associated with these improvements in setting water rates.

On occasion, drought warnings and water use restrictions are issued by governmental authorities for portions of our service territories in response to extended periods of dry weather conditions. The timing and duration of the warnings and restrictions can have an impact on our water revenues and net income. In general, water consumption in the summer months is affected by drought warnings and restrictions to a higher degree because nonessential and recreational use of water is at its highest during the summer months. At times other than the summer months, warnings and restrictions generally have less of an effect on water consumption.

In November 2001, a drought warning was declared in nine counties in Pennsylvania, including one of the five counties we serve in southeastern Pennsylvania. A drought warning calls for a 10 to 15 percent voluntary reduction of water use, particularly non-essential uses of water. In February 2002, a drought emergency was declared in 24 counties in Pennsylvania, including all five of the counties we serve in southeastern Pennsylvania. A drought emergency imposes a ban on non-essential water use.

On June 14, 2002 drought restrictions were relaxed in two of the counties we serve in southeastern Pennsylvania, moving from a drought emergency back to a drought warning. On June 27, 2002 we applied for a waiver of restrictions for portions of our southeastern Pennsylvania service territory due to the fact that our nine billion gallon reservoir system was as of that date, at approximately 85 percent capacity overall — nearly normal for this time of year.

Presently, a drought emergency ban remains in place in three of the counties we serve in southeastern Pennsylvania, while a less restrictive drought warning is in place in the other two counties that we serve.

Properties

Our properties consist of transmission and distribution mains and conduits, water treatment plants, pumping facilities, wells, tanks, meters, supply lines, dams, reservoirs, buildings, vehicles, land, easements, rights and other facilities and equipment used for the operation of our systems, including the collection, treatment, storage and distribution of water. Substantially all of our properties are owned by our subsidiaries and are subject to liens of mortgage or indentures. These liens secure bonds, notes and other evidences of long-term indebtedness of our subsidiaries. For certain properties that we acquired through the exercise of the power of eminent domain and certain other properties we purchased, we hold title for water supply purposes only. We own, operate and maintain approximately 7,500 miles of transmission and distribution mains, 19 water treatment plants and 17 wastewater treatment plants. Some properties are

leased under long-term leases. The following table indicates our net utility plant as of March 31, 2002 by state:

	Net Property, Plant and Equipment (000's)
Pennsylvania	996,262
Ohio	152,652
Illinois	124,570
New Jersey	81,106
Maine	34,604
North Carolina	10,542
Inter-company eliminations and other	(3,437)
	$1,396,299

We believe that our properties are maintained in good condition and in accordance with current standards of good waterworks industry practice. We believe that the facilities used in the operation of our business are in good condition in terms of suitability, adequacy and utilization.

Our corporate offices are leased from Pennsylvania Suburban Water and located in Bryn Mawr, Pennsylvania.

EXECUTIVE OFFICERS

The following table sets forth information with respect to our executive officers as of July 8, 2002:

Name	Age	Title(1)
Nicholas DeBenedictis	56	President and Chairman
Morrison Coulter	66	President, Pennsylvania Suburban Water Company — Philadelphia Suburban Division
Richard R. Riegler	55	Senior Vice President — Engineering and Environmental Affairs
Roy H. Stahl	49	Executive Vice President and General Counsel
David P. Smeltzer	43	Senior Vice President — Finance and Chief Financial Officer

(1) In addition to the capacities indicated, these individuals hold other offices and directorships with our subsidiaries.

Mr. DeBenedictis has served as our President and Chairman since May 1993. He served as our President and Chief Executive Officer from July 1992 to May 1993. He has served as Chairman and Chief Executive Officer, Pennsylvania Suburban Water Company since July 1992. He served as President, Pennsylvania Suburban Water Company from February 1995 to January 1999. Mr. DeBenedictis served as Senior Vice President for corporate affairs of PECO Energy Company (now known as Exelon) from April 1989 through June 1992. From December 1986 to April 1989, he served as President of the Greater Philadelphia Chamber of Commerce and from 1983 to 1986 he served as the Secretary of the Pennsylvania Department of Environmental Resources. Mr. DeBenedictis is a director of Exelon Corporation, Provident Mutual Life Insurance Company, P.H. Glatfelter Company and Met-Pro Corporation and a member of the advisory boards of PNC Bank in Philadelphia and Southern New Jersey and Pennoni Associates. He also serves on the Board of the Greater Philadelphia Chamber of Commerce, the Pennsylvania Business Roundtable, and Hahnemann/MCP University and is a Trustee of Drexel University.

Mr. Coulter has served as President, Pennsylvania Suburban Water Company — Philadelphia Suburban Division since December 2001. He served as President, Philadelphia Suburban Water Company from January 1999 to December 2001. He served as Senior Vice President — Production, Philadelphia Suburban Water Company from February 1996 to January 1999. He served as Vice President — Production, Philadelphia Suburban Water Company from April 1989 to February 1996. Mr. Coulter served in a number of other positions with Philadelphia Suburban Water Company from 1971 to 1989.

Mr. Riegler has served as our Senior Vice President — Engineering and Environmental Affairs since January 1999. He served as Senior Vice President — Operations, Philadelphia Suburban Water Company from April 1989 to January 1999. Mr. Riegler served in a number of other positions with Philadelphia Suburban Water Company from 1982 to 1989.

Mr. Stahl has served as our Executive Vice President and General Counsel since May 2000. He has served as our Secretary since June 2001. He served as our Senior Vice President and General Counsel from April 1991 to May 2000. Mr. Stahl served in a number of other positions in our legal department from 1984 to 1991.

Mr. Smeltzer has served as our Senior Vice President — Finance and Chief Financial Officer since December 1999. He served as our Vice President — Finance and Chief Financial Officer from May 1999 to December 1999. He served as Vice President — Rates and Regulatory Relations, Philadelphia Suburban Water Company from March 1991 to May 1999. Mr. Smeltzer served as Vice President — Controller of Philadelphia Suburban Water Company from March 1986 to March 1991.

SELLING SHAREHOLDERS

The selling shareholders intend to dispose of the shares of our common stock as described previously under the caption "Relationship with Vivendi Environnement S.A." and also under the caption "Underwriting" below. As of July 1, 2002, the selling shareholders owned 11,095,875 shares of our common stock (approximately 16.1% of our common stock outstanding). Following the offering and our repurchase of shares from Vivendi Water S.A., Vivendi Environnement and its subsidiaries will not own any shares of our common stock.

The following table sets forth certain information regarding the beneficial ownership of our common stock by the selling shareholders, and as adjusted to give effect to the sale of the shares of our common stock described in this prospectus.

Name of Selling Shareholders	Shares Beneficially Owned Prior to Offering	Number of Shares Being Offered(1)	Shares Beneficially Owned After Offering	
			Number of Shares(2)	Percent
Vivendi Water S.A. 52, rue d'Anjou 75008 Paris France	10,334,221	7,834,221	0	0%
Vivendi North America Company 60 East 42nd Street, 36th Floor New York, NY 10165	761,654	761,654	0	0%

(1) Does not include the 2,500,000 shares we have agreed to purchase from Vivendi Water S.A. (a portion of which may be used to satisfy the over-allotment option if it is exercised). See "Relationship with Vivendi Environnement S.A. — Agreement to Repurchase Shares and Financing Plan."

(2) Takes into account the 2,500,000 we have agreed to purchase from Vivendi Water S.A. (a portion of which may be used to satisfy the over-allotment option if it is exercised). See "Relationship with Vivendi Environnement S.A. — Agreement to Repurchase Shares and Financing Plan."

DESCRIPTION OF CAPITAL STOCK

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

As of June 30, 2002, our authorized capital stock was 101,770,819 shares. Those shares consisted of:

- 100,000,000 shares of common stock, par value $0.50 per share, of which 68,791,676 shares were outstanding; and
- 1,770,819 shares of preferred stock, par value $1.00 per share, of which 8,160 shares of Series B Preferred Stock were issued and outstanding.

Common Stock

Voting Rights

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

Dividend Rights and Limitations

Holders of common stock may receive dividends when declared by our board of directors. Because we are a holding company, the funds we use to pay any dividends on our common stock are derived predominantly from the dividends that we receive from our subsidiaries, Pennsylvania Suburban Water and Consumers Water, and the dividends they receive from their subsidiaries. Therefore, our ability to pay dividends to holders of our common stock depends upon our subsidiaries' earnings, financial condition and ability to pay dividends. Most of our subsidiaries are subject to regulation by state utility commissions and the amounts of their earnings and dividends are affected by the manner in which they are regulated. In addition, they are subject to restrictions on the payment of dividends contained in their various debt agreements. Under our most restrictive debt agreements, the amount available for payment of dividends to us as of March 31, 2002 was approximately $214 million of Pennsylvania Suburban Water's retained earnings and $51 million of Consumers Water's retained earnings. Payment of dividends on our common stock is also subject to the preferential rights of the holders of preferred stock to receive full cumulative dividends, both past and current.

Liquidation Rights

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

Preferred Stock

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

Series B Preferred Stock

As of June 30, 2002, the only series of preferred stock outstanding was our Series B Preferred Stock, of which there were 8,160 shares outstanding. Holders of our Series B Preferred Stock are entitled to receive cumulative quarterly dividends equal to $1.5125 per share or at a rate equal to 6.05% per year. In the event that we liquidate, dissolve or wind-up, holders of Series B Preferred Stock are entitled to receive $100 per share plus an amount equal to any accrued but unpaid cumulative dividends together with any interest that has accrued on those dividends. Our Series B Preferred Stock ranks senior to our Series A Junior Participating Preferred Stock, if issued, and our common stock with respect to the right to receive dividends and the right to the distribution of our assets upon liquidation.

The Series B Preferred Stock is not convertible into any other class or series of our capital stock. We obtained the right to redeem, in whole or in part, up to 6,440 shares of Series B Preferred Stock each year starting on December 1, 2001 at a price equal to $100 per share plus any accrued and unpaid dividends together with any interest that has accrued on those dividends through the date of redemption. In December 2001, 6,440 shares were redeemed at the liquidation value of $100 per share. The holder chose to receive a five-year note for the redemption proceeds of $644,000 at an interest rate of 6.05%. In January 2002, an additional 3,000 shares were redeemed at the holders' option in cash at the liquidation value of $100 per share. The Series B Preferred Stock is not subject to or entitled to the benefit of a sinking fund.

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

Shareholder Rights Plan

Holders of our common stock own, and the holders of the shares of common stock issued in this offering will receive, one right to purchase Series A Junior Participating Preferred Stock for each outstanding share of common stock. These rights are issued pursuant to a shareholders rights plan. Upon the occurrence of certain events, each right would entitle the holder to purchase from us one one-thousandth of a share of Series A Junior Participating Preferred Stock at an exercise price of $90 per one-thousandth of a share, subject to adjustment. The rights are exercisable in certain circumstances if a person or group acquires 20% or more of our common stock or if the holder of 20% or more of our common stock engages in certain transactions with us. In that case, each right would be exercisable by each holder, other than the acquiring person, to purchase shares of our common stock at a substantial discount from the market price. In addition, if, after the date that a person has become the holder of 20% or more of our common stock, any person or group merges with us or engages in certain other transactions with us, each right entitles the holder, other than the acquirer, to purchase common stock of the surviving corporation at a substantial discount from the market price. These rights are subject to redemption by us in certain circumstances. These rights have no voting or dividend rights and, until exercisable, cannot trade separately from our common stock and have no dilutive effect on our earnings. This plan expires on March 1, 2008.

State Law Anti-Takeover Provisions

Pennsylvania State Law Provisions

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

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

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

Articles of Incorporation and Bylaw Provisions

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

- a special meeting of shareholders may only be called by the chairman, the president, the board of directors or shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast at the particular meeting;

- nominations for election of directors may be made by any shareholder entitled to vote for election of directors if the name of the nominee and certain information relating to the nominee is filed with our corporate secretary not less than 14 days nor more than 50 days before any meeting of shareholders to elect directors; and

- certain advance notice procedures must be met for shareholder proposals to be made at annual meetings of shareholders. These advance notice procedures generally require a notice to be delivered not less than 90 days nor more than 120 days before the anniversary date of the immediately preceding annual meeting of shareholders.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is EquiServe Trust Company, N.A.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, the underwriters named below, through their representatives Deutsche Bank Securities Inc. and UBS Warburg LLC have severally agreed to purchase from the selling shareholders the following respective number of shares of common stock at a public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus:

Underwriters	Number of shares
Deutsche Bank Securities Inc.	
UBS Warburg LLC	
Total	8,595,875

The underwriting agreement provides that the obligations of the several underwriters to purchase the shares of common stock offered hereby are subject to certain conditions precedent and that the underwriters will purchase all of the shares of common stock offered by this prospectus, other than those covered by the over-allotment option described below, if any of these shares are purchased.

We have been advised by the representatives of the underwriters that the underwriters propose to offer the shares of common stock to the public at the public offering price set forth on the cover of this prospectus and to dealers at a price that represents a concession not in excess of $ per share under the public offering price. The underwriters may allow, and these dealers may re-allow, a concession of not more than $ per share to other dealers. After the public offering, representatives of the underwriters may change the offering price and other selling terms.

Vivendi Water S.A. has granted to the underwriters an option, exercisable not later than 30 days after the date of this prospectus, to purchase up to 1,289,381 additional shares of common stock at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the common stock offered by this prospectus. To the extent that the underwriters exercise this option, each of the underwriters will become obligated, subject to certain conditions, to purchase approximately the same percentage of these additional shares of common stock as the number of shares of common stock to be purchased by it in the above table bears to the total number of shares of common stock offered by this prospectus. Vivendi Water S.A. will be obligated, pursuant to the option, to sell these additional shares of common stock to the underwriters to the extent the option is exercised. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting discounts and commissions per share are equal to the public offering price per share of common stock less the amount paid by the underwriters to the selling shareholders per share of common stock. The underwriting discounts and commissions are % of the public offering price. The

selling shareholders have agreed to pay the underwriters the following discounts and commissions, assuming either no exercise or full exercise by the underwriters of the underwriters' over-allotment option:

		Total Fees	
	Fee Per Share	Without Exercise of Over-Allotment Option	With Full Exercise of Over-Allotment Option
Discounts and commissions paid by the selling shareholders	$	$	$

We estimate that our share of the total expenses of this offering, excluding underwriting discounts and commissions, will be nominal.

We and the selling shareholders have agreed to indemnify the underwriters against some specified types of liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make in respect of any of these liabilities.

Each of our executive officers and directors have agreed not to offer, sell, sell short or otherwise dispose of, directly or indirectly, any shares of our common stock or other capital stock, or any other securities convertible, exchangeable or exercisable for our common stock owned by these persons prior to this offering, or request the registration for the offer or sale of these securities for a period of 90 days after the effective date of the registration statement of which this prospectus is a part, without the prior written consent of Deutsche Bank Securities Inc. and UBS Warburg LLC. This consent may be given at any time without public notice.

We have agreed that we will not issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or grant any options whatsoever in respect of our shares, without the prior written consent of Deutsche Bank Securities Inc. and UBS Warburg LLC for a period of 90 days after the date of this prospectus. This agreement does not apply to grants of stock options pursuant to the terms of a stock option or similar plan in effect on the date of the underwriting agreement, shares of common stock issued in connection with our proposed acquisition of Pennichuck Corporation, the issuance of up to 150,000 shares of common stock under our shelf registration statement for the acquisition of small water systems or the issuance of shares of common stock pursuant to the terms of our Dividend Reinvestment and Direct Stock Purchase Plan.

The representatives of the underwriters have advised us that the underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

In connection with the offering, the underwriters may purchase and sell shares of our common stock in the open market. These transactions may include short sales, purchases to cover positions created by short sales and stabilizing transactions.

Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional shares of common stock from the selling shareholders in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option.

Naked short sales are any sales in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if underwriters are concerned that there may be downward pressure on the price of the shares in the open market prior to the completion of the offering.

Stabilizing transactions consist of various bids for or purchases of our common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may impose a penalty bid. This occurs when a particular underwriter repays to the other underwriters a portion of the underwriting discount received by it because the representatives of the underwriters have repurchased shares sold by or for the account of that underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions may have the effect of preventing or slowing a decline in the market price of our common stock. Additionally, these purchases, along with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

Some of the underwriters or their affiliates have provided investment banking services to us in the past and may do so in the future. They receive customary fees and commissions for these services.

WHERE YOU CAN FIND MORE INFORMATION

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

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

- Our Annual Report on Form 10-K for the fiscal year ended December 31, 2001 including portions of our 2001 Annual Report to Shareholders and our definitive Proxy Statement for the 2002 Annual Meeting of Shareholders incorporated therein by reference;
- Our Quarterly Report on Form 10-Q for the period ended March 31, 2002;
- Our Current Report on Form 8-K filed on May 14, 2002, reporting under Item 5 our press release announcing a change in the investment strategy of our long-term shareholder, Vivendi Environnement; and
- The description of our shareholder rights plan contained in our Form 8-A Registration Statement filed on March 17, 1998.

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

Philadelphia Suburban Corporation

Attention: Roy H. Stahl, Corporate Secretary
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489
Telephone: 610-527-8000

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

If anyone provides you with different or inconsistent information, you should not rely on it. The selling shareholders have not, and the underwriters are not, making an offer to sell these securities in any state where the offer or sale is not permitted. You should not assume that the information provided in this prospectus or incorporated by reference in this prospectus is accurate as of any date other than the date on the front of this prospectus or the date of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania. Certain legal matters in connection with this offering will be passed upon for the selling shareholders by Cleary, Gottlieb, Steen & Hamilton, Paris, France, and for the underwriters by Davis Polk & Wardwell, New York, New York.

EXPERTS

The consolidated financial statements as of December 31, 2000 and 2001, and for each of the two years in the period ended December 31, 2001 incorporated in this prospectus by reference to the Annual Report on Form 10-K of Philadelphia Suburban Corporation and subsidiaries for the year ended December 31, 2001, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The consolidated statements of income and comprehensive income and cash flow of Philadelphia Suburban Corporation and subsidiaries for the year ended December 31, 1999, included in Philadelphia Suburban Corporation's annual report on Form 10-K for the year ended December 31, 2001 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

Table of Contents

8,595,875 Shares

Philadelphia Suburban Corporation

Common Stock

PROSPECTUS

Joint Book-Running Managers

Deutsche Bank Securities

UBS Warburg

, 2002

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. *Other Expenses of Issuance and Distribution*

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

Securities and Exchange Commission Registration Fee	$16,880
Printing	
Accounting Services	
Legal Services	
Transfer Agent Fees	
Miscellaneous	
Total	$

Item 15. *Indemnification of Directors and Officers*

Sections 1741 and 1742 of the Pennsylvania Business Corporation Law of 1988, as amended (the "BCL"), provide that, unless otherwise restricted in its bylaws, a business corporation may indemnify directors and officers against liabilities they may incur as such provided that the particular person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. In general, the power to indemnify under these sections does not exist in the case of actions against a director or officer by or in the right of the corporation if the person otherwise entitled to indemnification shall have been adjudged to be liable to the corporation unless it is judicially determined that, despite the adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnification for specified expenses. Section 1743 of the BCL requires a business corporation to indemnify directors and officers against expenses they may incur in defending actions against them in such capacities if they are successful on the merits or otherwise in the defense of such actions.

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

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

Article VII of the bylaws provides, except as expressly prohibited by law, an unconditional right to indemnification for expenses and any liability paid or incurred by any director or officer of the Registrant, or any other person designated by the board of directors as an indemnified representative, in connection with any actual or threatened claim, action, suit or proceeding (including derivative suits) in which he or she may be involved by reason of being or having been a director, officer, employee or agent of the Registrant or, at the request of the Registrant, of another corporation, partnership, joint venture, trust,

employee benefit plan or other entity. The bylaws specifically authorize indemnification against both judgments and amounts paid in settlement of derivative suits, unlike Section 1742 of the BCL which authorizes indemnification only of expenses incurred in defending and in settlement of a derivative action. In addition, Article VII of the bylaws also allows indemnification for punitive damages and liabilities incurred under the federal securities laws.

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

Section 7.04 of the Registrant's bylaws also authorizes the Registrant to further effect or secure its indemnification obligations by entering into indemnification agreements, maintaining insurance, creating a trust fund, granting a security interest in its assets or property, establishing a letter of credit, or using any other means that may be available from time to time. Section 1747 of the BCL also enables a business corporation to purchase and maintain insurance on behalf of a person who is or was serving as a representative of the corporation or is or was serving at the request of the corporation as a representative of another entity against any liability asserted against that representative in his capacity as such, whether or not the corporation would have the power to indemnify him against that liability under the BCL.

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

Item 16. ***Exhibits***

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

Exhibit Number	Description
1.1	Form of Underwriting Agreement**
5.1	Opinion of Morgan, Lewis & Bockius LLP*
10.1	Registration and Stock Purchase Agreement, dated as of July 8, 2002, between Philadelphia Suburban Corporation and Vivendi Environnement S.A.**
23.1	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1)*
23.2	Consent of PricewaterhouseCoopers LLP**
23.3	Consent of KPMG LLP**
24.1	Powers of Attorney (included on the signature page hereto)

* To be filed by amendment.

** Filed herewith.

Item 17. ***Undertakings***

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934

(and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bryn Mawr, Commonwealth of Pennsylvania, on this 8th day of July, 2002.

PHILADELPHIA SUBURBAN CORPORATION

BY: /s/NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman and Chief Executive Officer

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

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

Signature	Title	Date
/s/ NICHOLAS DEBENEDICTIS Nicholas DeBenedictis	Director, Chairman and Chief Executive Officer (Principal Executive Officer)	July 8, 2002
/s/ DAVID P. SMELTZER David P. Smeltzer	Senior Vice President — Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	July 8, 2002
/s/ MARY C. CARROLL Mary C. Carroll	Director	July 8, 2002
G. Fred DiBona, Jr.	Director	
/s/ RICHARD H. GLANTON Richard H. Glanton, Esq.	Director	July 8, 2002
/s/ ALAN R. HIRSIG Alan R. Hirsig	Director	July 8, 2002

Signature	Title	Date
/s/ JOHN F. MCCAUGHAN	Director	July 8, 2002
John F. McCaughan		
/s/ JOHN E. MENARIO	Director	July 8, 2002
John E. Menario		
/s/ RICHARD L. SMOOT	Director	July 8, 2002
Richard L. Smoot		

Table of Contents

INDEX TO EXHIBITS

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23.3	Consent of KPMG LLP**
24.1	Powers of Attorney (included on the signature page hereto)

* To be filed by amendment.

** Filed herewith.

Exhibit 1.1

8,595,875 Shares

Philadelphia Suburban Corporation

Common Stock

($.50 Par Value)

UNDERWRITING AGREEMENT

[, 2002]

Deutsche Bank Securities Inc.
UBS Warburg LLC
As Representatives of the
several Underwriters

c/o Deutsche Bank Securities Inc.
One South Street
Baltimore, Maryland 21202

Ladies and Gentlemen:

Certain shareholders named in Schedule II hereto (the "SELLING SHAREHOLDERS") of Philadelphia Suburban Corporation, a Pennsylvania corporation (the "COMPANY"), propose to sell to the several underwriters (the "UNDERWRITERS") named in Schedule I hereto for whom you are acting as representatives (the "REPRESENTATIVES") an aggregate of 8,595,875 shares of the Company's Common Stock, $.50 par value (the "FIRM SHARES"). The respective amounts of the Firm Shares to be so purchased by the several Underwriters are set forth opposite their names in Schedule I hereto, and the respective amounts to be sold by the Selling Shareholders are set forth opposite their names in Schedule II hereto. Vivendi Water S.A. (the "OPTION SELLING SHAREHOLDER") also proposes to sell at the Underwriters' option an aggregate of up to 1,289,381 additional shares of the Company's Common Stock (the "OPTION SHARES") as set forth below.

As the Representatives, you have advised the Company and the Selling Shareholders (a) that you are authorized to enter into this Agreement on behalf of the several Underwriters, and (b) that the several Underwriters are willing, acting severally and not jointly, to purchase the numbers

of Firm Shares set forth opposite their respective names in Schedule I, plus their pro rata portion of the Option Shares if you elect to exercise the over-allotment option in whole or in part for the accounts of the several Underwriters. The Firm Shares and the Option Shares (to the extent the aforementioned option is exercised) are herein collectively called the "SHARES."

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SELLING SHAREHOLDERS.

(a) The Company represents and warrants to each of the Underwriters and the Selling Shareholders as follows:

(i) A registration statement on Form S-3 (File No. 333-_____) with respect to the Shares has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "ACT"), and the rules and regulations (the "RULES AND REGULATIONS") of the Securities and Exchange Commission (the "COMMISSION") thereunder and has been filed with the Commission. The Company and the offering and sale of the Shares contemplated by this Agreement meet the requirements and comply with the conditions for the use

of Form S-3. Copies of such registration statement, including any amendments thereto, the preliminary prospectuses (meeting the requirements of the Rules and Regulations) contained therein and the exhibits, financial statements and schedules, as finally amended and revised, have heretofore been delivered by the Company to you or your representatives or are publicly available in accordance with the Rules and Regulations. Such registration statement, together with any registration statement filed by the Company pursuant to Rule 462 (b) of the Act, is herein referred to as the "REGISTRATION STATEMENT," which shall be deemed to include all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, has become effective under the Act and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. "PROSPECTUS" means the form of prospectus first filed with the Commission pursuant to Rule 424(b). Each preliminary prospectus included in the Registration Statement prior to the time the Registration Statement becomes effective is herein referred to as a "PRELIMINARY PROSPECTUS." Any reference herein to the Registration Statement, any Preliminary Prospectus or to the Prospectus or to any amendment or supplement to any of the foregoing documents shall be deemed to refer to and include any documents incorporated by reference therein, and, in the case of any reference herein to any Prospectus, also shall be deemed to include any documents incorporated by reference therein, and any supplements or amendments thereto, filed with the Commission after the date of filing of the Prospectus under Rules 424(b) or 430A, and prior to the termination of the offering of the Shares by the Underwriters.

(ii) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with corporate power and

authority to own or lease its properties and conduct its business as described in the Registration Statement. Each of the significant subsidiaries of the Company as listed on Schedule III (collectively, the "SUBSIDIARIES") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. The Company and each of the Subsidiaries are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification, except for such jurisdictions where the failure to so qualify would not have a material adverse effect on the earnings, business, management, properties, assets, rights, operations or condition (financial or otherwise) of the Company and of the Subsidiaries taken as a whole (a "MATERIAL ADVERSE EFFECT"). The outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of all liens, encumbrances and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in the Subsidiaries are outstanding, other than those described in the Registration Statement or described in any document incorporated by reference therein.

(iii) The outstanding shares of Common Stock of the Company, including all shares to be sold by the Selling Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable and no preemptive rights of shareholders exist with respect to any of the Shares or the issue and sale thereof, other than those described in the Registration Statement or described in any document incorporated by reference therein. Neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock.

(iv) All of the Shares conform in all material respects to the description thereof contained in or incorporated by reference in the Registration Statement. The form of certificates for the Shares conforms to the corporate law of the jurisdiction of the Company's incorporation.

(v) The Commission has not issued an order preventing or suspending the use of any Prospectus relating to the proposed offering of the Shares nor instituted proceedings for that purpose. As of the date it became effective under the Act, the Registration Statement contained, and the Prospectus and any amendments or supplements thereto will contain, as of the date the Prospectus,

such amendment or supplement is filed with the Commission, all statements which are required to be stated therein by, and conforms to, or will conform to, as the case may be, the requirements of the Act and the Rules and Regulations. The documents incorporated, or to be incorporated, by reference in the Prospectus, at the time they became effective or were or will be filed with the Commission as the case may be, conformed or will conform, as the case may be, in all material respects to the requirements of the Securities Exchange Act of 1934 ("EXCHANGE ACT") or the Act, as applicable, and the rules and regulations of the Commission thereunder. The

Registration Statement did not, as of the date it became effective, contain and any amendment thereto will not contain, any untrue statement of a material fact and did not omit, and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Prospectus and any amendments and supplements thereto, as of the date the Prospectus, such amendment or supplement is filed with the Commission do not contain, and will not contain, any untrue statement of material fact; and do not omit and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representatives or the Selling Shareholders, specifically for use in the preparation thereof.

(vi) The consolidated financial statements of the Company and the Subsidiaries, together with related notes and schedules as set forth or incorporated by reference in the Registration Statement, present fairly in all material respects the financial position and the results of operations and cash flows of the Company and the consolidated Subsidiaries, at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with generally accepted principles of accounting, consistently applied throughout the periods involved, except as disclosed therein in all material respects, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary financial and statistical data included or incorporated by reference in the Registration Statement presents fairly in all material respects the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of the company.

(vii) PricewaterhouseCoopers LLP, who have certified certain of the financial statements filed with the Commission as part of, or incorporated by reference in, the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations. KPMG LLP, who have certified the financial statements for fiscal year 1999 filed with the Commission as part of, or incorporated by reference in, the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations.

(viii) There are no legal or governmental proceedings pending to which the Company or the Subsidiaries is a party or of which any property of the Company or the Subsidiaries is the subject that are required to be disclosed in the Registration Statement that are not so disclosed as required; and to the Company's knowledge, no such proceedings are threatened or contemplated.

(ix) Each of the Company and the Subsidiaries has good and marketable title to all of their respective properties and assets reflected in the consolidated financial statements

hereinabove described except where the failure to have such title would not have a Material Adverse Effect, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements or described in the Registration Statement or which are not material in amount. Each of the Company and the Subsidiaries occupies their leased properties under valid and existing leases, with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of the Company.

(x) Each of the Company and the Subsidiaries has filed all material Federal, State, local and foreign tax returns, or have filed for extensions of the due dates for such returns which have been required to be filed and have paid all taxes indicated by such returns and all assessments received by them or any of them to the extent that such taxes have become due, or has received timely extensions thereof, other than any taxes which the Company or any Subsidiary is contesting in good faith. The Company does not know of any actual or proposed additional material tax assessments.

(xi) Since the respective dates as of which information is given or incorporated by reference in the Registration Statement, as it may be amended or supplemented, except as described therein or in such incorporated information, there has not been any change or any development that has had or will have a Material Adverse Effect, whether or not occurring in the ordinary course of business, and there has not been any material transaction entered into by the Company or the Subsidiaries, other than transactions in the ordinary course of business and changes and transactions described in the Registration Statement, as it may be amended or supplemented. Each of the Company and the Subsidiaries has no material contingent obligations which are not disclosed in the Company's financial statements which are included in the Registration Statement.

(xii) Neither the Company nor any of the Subsidiaries is or with the giving of notice or lapse of time or both, will be, in violation of or in default under (i) its Charter or By-Laws, or (ii) under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound and, solely with respect to this clause (ii), which violation or default would have a Material Adverse Effect. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust or other material agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any of their respective properties is bound, or of the Charter or By-Laws of the Company or any law, order, rule or regulation judgement, order, writ or decree applicable to the Company or any Subsidiary of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction, except where such breach or default would not, except with respect to the Charter or By-laws individually or in the aggregate, have a Material Adverse Effect.

(xiii) The execution and delivery of, and the performance by the Company of its obligations under, this Agreement has been duly and validly authorized by all necessary corporate action on the part of the Company, and this Agreement has been duly executed and delivered by the Company.

(xiv) Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated (except such additional steps as may be required by the Commission, the National Association of Securities Dealers, Inc. (the "NASD") or such additional steps as may be necessary to qualify the Shares for public offering by the Underwriters under state securities or Blue Sky laws) has been obtained or made and is in full force and effect.

(xv) Each of the Company and the Subsidiaries holds, has obtained or meets the requirements for all material licenses, certificates and permits, consents, orders, approvals and other authorizations from governmental authorities which are necessary to the conduct of their businesses and has made all declarations and filings with, all federal, state, local and other governmental authorities (including foreign regulatory agencies), all self-regulatory organizations and all courts and other tribunals, domestic or foreign, necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as conducted as of the date hereof, except where the lack thereof would not have a Material Adverse Effect, and neither the Company nor any such subsidiary has received any actual written notice of any proceeding relating to revocation or modification of any such material license, permit, certificate, consent, order, approval or other authorization that would materially interfere with its ownership or lease, as the case may be, or the operation of its properties or the carrying on of its business as conducted on the date hereof, except as described in the Registration Statement and the Prospectus; and each of the Company and its

subsidiaries is in material compliance with all laws and regulations relating to the conduct of its business as conducted as of the date hereof, except where such noncompliance would not have a Material Adverse Effect.

(xvi) Neither the Company, nor to the Company's knowledge, any of its affiliates, has taken or may take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares.

(xvii) Neither the Company nor any Subsidiary is an "investment company" or an entity "controlled" by an "investment company" within the meaning of such terms under the Investment Company Act of 1940, (as amended, the "1940 ACT") and the rules and regulations of the Commission thereunder.

(xviii) The Company and each of its Subsidiaries maintains a system of internal accounting controls sufficient to provide reasonable assurances that in all material respects (i)

transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xix) The Company and each of its Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks relative to the conduct of their respective businesses as currently conducted and the value of their respective properties and as is reasonable and customary for companies engaged in similar businesses.

(xx) There are no existing or, to the best knowledge of the Company, threatened labor disputes with the employees of the Company or any of the Subsidiaries which are likely to have a Material Adverse Effect.

(xxi) Except as described in the Registration Statement or any of the documents incorporated by reference therein, the Company and each of its Subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (ii) have received or meets the requirements for all material permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a Material Adverse Effect. Except as described in the Registration Statement or any of the documents incorporated by reference therein, there are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries under any Environmental Law which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(xxii) In the ordinary course of its business, the Company reviews of the effect of Environmental Laws on the business, operations and properties of the Company and each of its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). Except as described in the Registration Statement or any of the documents incorporated by reference therein, on the basis of such review, the Company has reasonably concluded that such

associated costs and liabilities would not, singly or in the aggregate, have a Material Adverse Effect.

(b) Each of the Selling Shareholders severally represents and warrants as follows:

(i) Such Selling Shareholder now has and at the Closing Date and the Option Closing Date, as the case may be (as such dates are hereinafter defined) will have good and marketable title to the Firm Shares and the Option Shares to be sold by such Selling Shareholder, free and clear of any liens, encumbrances, equities and claims, and full right, power and authority to effect the sale and delivery of such Firm Shares and Option Shares; and upon the delivery of, against payment for, such Firm Shares and Option Shares pursuant to this Agreement, the Underwriters will acquire good and marketable title thereto, free and clear of any liens, encumbrances, equities and claims.

(ii) Such Selling Shareholder has full right, power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement. The execution and delivery of this Agreement and the consummation by such Selling Shareholder of the transactions herein contemplated and the fulfillment by such Selling Shareholder of the terms hereof will not require any consent, approval, authorization, or other order of any court, regulatory body, administrative agency or other governmental body (except as may be required under the Act, state securities laws or Blue Sky laws) and will not result in a breach of any of the terms and provisions of, or constitute a default under, organizational documents of such Selling Shareholder, or any indenture, mortgage, deed of trust or other agreement or instrument to which such Selling Shareholder is a party, or of any order, rule or regulation applicable to such Selling Shareholder of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction.

(iii) Such Selling Shareholder has not taken and will not take, directly or indirectly, any action designed to, or which has constituted, or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of the Common Stock of the Company and, other than as permitted by the Act, such Selling Shareholder will not distribute any prospectus or other offering material in connection with the offering of the Shares.

(iv) Without having undertaken to determine independently the accuracy or completeness of either the representations and warranties of the Company contained herein or the information contained in the Registration Statement, such Selling Shareholder has no reason to believe that the representations and warranties of the Company contained in this Section 1 are not true and correct, is familiar with the Registration Statement and has no knowledge of any material fact, condition or information not disclosed in the Registration Statement which has adversely affected or may adversely affect the business of the Company or any of the Subsidiaries; and the sale of the Firm Shares and the Option Shares by such Selling Shareholder pursuant hereto is not prompted by any information concerning the Company or any of the Subsidiaries which is not set

forth in the Registration Statement or the documents incorporated by reference therein. The information pertaining to such Selling Shareholder under the caption "Selling Shareholders" in the Prospectus is complete and accurate in all material respects.

2. PURCHASE, SALE AND DELIVERY OF THE FIRM SHARES.

(a) On the basis of the representations, warranties and covenants herein contained, and subject to the conditions herein set forth, the Selling Shareholders agree to sell to the Underwriters and each Underwriter agrees, severally and not jointly, to purchase, at a net purchase price of $_____ per share (representing the public offering price of $___ per share less underwriting discounts and commissions of $___ per share), the number of Firm Shares set forth opposite the name of each Underwriter in Schedule I hereof, subject to adjustments in accordance with Section 9 hereof. The number of Firm Shares to be purchased by each Underwriter from each Seller shall be as nearly as practicable in the same proportion to the total number of Firm Shares being sold by each Seller as the number of Firm Shares being purchased by each Underwriter bears to the total number of Firm Shares to be sold hereunder. The obligations of each of the Selling Shareholders shall be several and not joint.

(b) Payment for the Firm Shares to be sold hereunder is to be made in Federal (same day) funds to an account designated by each Selling Shareholder for the shares to be sold by such Selling Shareholder, in each case against delivery of the Firm Shares therefor to the Representatives for the several accounts of the Underwriters. Such payment and delivery are to be made through the facilities of The Depository Trust Company, New York New York ("DTC") at 10:00 a.m., New York time, on the third business day after the date of this Agreement or at such other time and date not later than five business days thereafter as you and the Company shall agree upon, such time and date being herein referred to as the "Closing Date." (As used herein, "business day" means a day on which the New York Stock Exchange is open for trading and on which banks in New York are open for business and not permitted by law or executive order to be closed.)

(c) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Option Selling Shareholder hereby grants an option to the several Underwriters to purchase the Option Shares at the price per share as set forth in the first paragraph of this Section 2. No Option Shares shall be sold or delivered by the Underwriters unless the Firm Shares previously have been, or simultaneously with the Option Shares are, sold and delivered. The option granted hereby may be exercised in whole or in part by giving written notice (i) at any time before the Closing Date and (ii) only once thereafter within 30 days after the date of this Agreement, by you, as Representatives of the several Underwriters, to the Selling Shareholders and the Company setting forth the number of Option Shares as to which the several Underwriters are exercising the option and the time and date at which such Option Shares are to be delivered. The time and date at which the Option Shares are to be delivered shall be determined by the Representatives but shall not be later than three full business days after written notice of the exercise of such option, nor in any event prior

to the Closing Date (such time and date being herein referred to as the "Option Closing Date"). If the date of exercise of the option is three or more days before the Closing Date, the notice of exercise shall set the Closing Date as the Option Closing Date. The number of Option Shares to be purchased by each Underwriter shall be in the same proportion to the total number of Option Shares being purchased as the number of Firm Shares being purchased by such Underwriter bears to the total number of Firm Shares, adjusted by you in such manner as to avoid fractional shares. The option with respect to the Option Shares granted hereunder may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters. You, as Representatives of the several Underwriters, may cancel such option at any time prior to its expiration by giving written notice of such cancellation to the Selling Shareholders and the Company. To the extent, if any, that the option is exercised, payment for the Option Shares shall be made on the Option Closing Date in Federal (same day) funds to an account designated by the Option Selling Shareholder for the Option Shares to be sold by the Option Selling Shareholder against delivery of the Option Shares through the facilities of DTC.

3. OFFERING BY THE UNDERWRITERS.

It is understood that the several Underwriters are to make a public offering of the Firm Shares as soon as the Representatives deem it advisable to do so. The Firm Shares are to be initially offered to the public at the public offering price set forth in the Prospectus. The Representatives may from time to time thereafter change the public offering price and other selling terms. To the extent, if at all, that any Option Shares are purchased pursuant to Section 2 hereof, the Underwriters will offer them to the public on the foregoing terms.

It is further understood that you will act as the Representatives for the Underwriters in the offering and sale of the Shares in accordance with a Master Agreement Among Underwriters entered into by you and the several other Underwriters.

4. COVENANTS OF THE COMPANY AND THE SELLING SHAREHOLDERS.

(a) The Company covenants and agrees with the several Underwriters with respect to (i) through (x) below, and with the Selling Shareholders with respect to (i) through (v) only that:

(i) The Company will (A) use its best efforts to cause the

Registration Statement to become effective or, if the procedure in Rule 430A of the Rules and Regulations is followed, to prepare and timely file with the Commission under Rule 424(b) of the Rules and Regulations a Prospectus in a form approved by the Representatives containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A of the Rules and Regulations, and (B) not file any amendment to the Registration Statement or supplement to the Prospectus or document incorporated by reference therein of which the Representatives or the Selling Shareholders shall not previously have been advised and furnished with a copy or to which the Representatives or the Selling Shareholders shall have reasonably

objected in writing or which is not in compliance with the Rules and Regulations and (C) file on a timely basis all reports and any definitive proxy or information statements required to be filed by the Company with the Commission subsequent to the date of the Prospectus and prior to the termination of the offering of the Shares by the Underwriters.

(ii) The Company will advise the Representatives and the Selling Shareholders promptly of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus or of the institution of any proceedings for that purpose. The Company will use its best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(iii) The Company will cooperate with the Representatives and the Selling Shareholders in endeavoring to qualify the Shares for sale under the securities laws of such jurisdictions as the Representatives may reasonably have designated in writing and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representatives may reasonably request for distribution of the Shares.

(iv) The Company will deliver to, or upon the order of, the Representatives, from time to time, as many copies of any Preliminary Prospectus as the Representatives may reasonably request. The Company will deliver to, or upon the order of, the Representatives during the period when delivery of a Prospectus is required under the Act, as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representatives may reasonably request. The Company will deliver to each Selling Shareholder one copy of the Registration Statement including all exhibits filed therein and to the Representatives such number of copies of the Registration Statement, one of which will be signed and will include all exhibits filed therewith, and documents incorporated by reference therein, and of all amendments thereto, as the Representatives may reasonably request.

(v) Within the time during which a prospectus relating to the Shares is required to be delivered under the Act, the Company will comply with the Act and the Rules and Regulations, and the Exchange Act, and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Underwriters or the Selling Shareholders, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the

circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will either (i) prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus or (ii) prepare and file with the Commission an appropriate filing under the Exchange Act which shall be incorporated by reference in the Prospectus so that the Prospectus as so amended

or supplemented will not, in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with the law.

(vi) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earning statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earnings statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 of the Rules and Regulations and will advise you in writing when such statement has been so made available.

(vii) The Company shall not (a) issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC any registration statement relating to, any additional shares of its common stock or securities convertible into or exchangeable or exercisable for any shares of its common stock, enter into a transaction which would have the same effect or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, or (b) grant any options whatsoever in respect of its shares, except grants of employee stock options pursuant to the terms of a plan in effect on the date of this Agreement, in each case for a period of 90 days after the date of this Agreement, without the prior written consent of the Representatives. The foregoing restrictions shall not apply to any registration statement, or any shares issued thereunder, relating to the Company's proposed acquisition of Pennichuck Corporation, the issuance by the Company of up to 150,000 Shares under the Company's shelf registration statements or the issuance of shares under the Company's Dividend Reinvestment and Direct Stock Purchase Plan.

(viii) The Company has caused each executive officer and director of the Company to furnish to you, on or prior to the date of this agreement, a letter or letters, in form and substance satisfactory to the Underwriters ("LOCKUP AGREEMENTS"), pursuant to which each such person shall agree not to offer, sell, sell short or otherwise dispose of, directly or indirectly, any shares of Common Stock of the Company or other capital stock of the Company, or any other securities convertible, exchangeable or exercisable for Common Shares or derivative of Common Shares owned by such person or request the registration for the offer or sale of any of the foregoing (or as to which such person has the right to direct the disposition of) for a period of 90 days after the date of this Agreement, directly or indirectly, except with the prior written consent of the Representatives.

(ix) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(x) The Company will not take, directly or indirectly, any action designed to cause or result in, or that constitutes or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

(b) Each of the Selling Shareholders covenants and agrees with each of the several Underwriters that:

(i) Each Selling Shareholder shall not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any additional shares of the Company's common stock or securities convertible into or exchangeable or exercisable for any shares of the Company's common stock, enter into a transaction which would have the same effect or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing for a period of 90 days after the date of this Agreement, without the prior written consent of the Representatives. The foregoing restrictions shall not apply to the proposed purchase by the Company of 2,500,000 shares from the Selling Shareholders, as described in the Registration and Share Purchase Agreement between the Company and the Selling Shareholders.

(ii) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 and the Interest and Dividend Tax Compliance Act of 1983 with respect to the transactions herein contemplated, each of the Selling Shareholders agrees to deliver to you prior to or at the Closing Date a properly completed and executed United States Treasury Department Form W-8 or W-9 (or

other applicable form or statement specified by Treasury Department regulations in lieu thereof).

(iii) Such Selling Shareholder will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

5. COSTS AND EXPENSES.

The parties agree that the Underwriters shall not be responsible for the following expenses (1) accounting fees of the Company; (2) the fees and disbursements of counsel for the Company and the Selling Shareholders; (3) the cost of printing and delivering to, or as requested by, the Underwriters copies of the Registration Statement, Preliminary Prospectuses and the Prospectus, and any supplements or amendments thereto; (4) the filing fees of the Commission; (5) the filing fees and expenses (including legal fees and disbursements) incident to securing any required review by the NASD of the terms of the sale of the Shares; (6) and the expenses, including the fees and disbursements of counsel for the Underwriters, incurred in connection with the qualification of the Shares under State securities or Blue Sky laws. Nothing herein, however, shall

prevent the Company and the Selling Shareholders from apportioning such costs among themselves under separate agreements. To the extent, if at all, that any of the Selling Shareholders engage special legal counsel to represent them in connection with this offering, the fees and expenses of such counsel shall be borne by such Selling Shareholder. Any transfer taxes imposed on the sale of the Shares to the several Underwriters will be paid by the Selling Shareholders pro rata. The Company and the Selling Shareholders shall not, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification under NASD regulation and State securities or Blue Sky laws) except that, if this Agreement shall not be consummated because the conditions in Section 6 hereof are not satisfied, or because this Agreement is terminated by the Representatives pursuant to Section 11 hereof, or by reason of any failure, refusal or inability on the part of the Company or the Selling Shareholders to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on their part to be performed, unless such failure, refusal or inability is due primarily to the default or omission of any Underwriter, the Selling Shareholders shall reimburse the several Underwriters for reasonable out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred in connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder; but the Company and the Selling Shareholders shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares.

6. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS.

The several obligations of the Underwriters to purchase the Firm Shares on the Closing Date and the Option Shares, if any, on the Option Closing Date are subject to the accuracy, as of the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties of the Company and the Selling Shareholders contained herein, and to the performance by the Company and the Selling Shareholders of their covenants and obligations hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective and any and all filings required by Rule 424 and Rule 430A of the Act shall have been made within the applicable time period prescribed by, and in compliance with, the Rules and Regulations, and any request of the Commission for additional information (to be included in the Registration Statement or otherwise) shall have been disclosed to the Representatives and complied with to their reasonable satisfaction. No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company or the Selling Shareholders, shall be contemplated or threatened by the Commission and no injunction, restraining order or order of any nature by a Federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance of the Shares.

(b) The Representatives and the Selling Shareholders shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinions of Morgan, Lewis & Bockius LLP ("MORGAN LEWIS"), counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) and the Selling Shareholders to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; each of Pennsylvania Suburban Water Company ("PSWC") and Consumers Water Company ("CWC") has been duly organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; the Company is duly qualified to transact business in all jurisdictions in which the conduct of its business requires such qualification, or in which the failure to qualify would have a materially adverse effect upon the business of the Company and the Subsidiaries taken as a whole; and the outstanding shares of capital stock of each of PSWC and CWC have been duly authorized and validly issued and are fully paid and non-assessable and are owned by the Company; and, to the best of such counsel's knowledge, the outstanding shares of capital stock of each of PSWC and CWC is owned free and clear of all liens, encumbrances and equities and claims.

(ii) The authorized shares of the Company's Common Stock have been duly authorized; the outstanding shares of the Company's Common Stock, including the Shares to be sold by the Selling Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable; all of the Shares conform in all material respects as to legal matters to the description thereof contained in the Prospectus; the certificates for the Shares, assuming they are in the form filed with the Commission; conform to the requirements of the Pennsylvania Business Corporation Law of 1988, as amended (the "PBCL"); and no preemptive rights of shareholders exist with respect to any of the Shares or the issue or sale thereof arising under the Company's Charter, By-laws or the PBCL.

(iii) Based upon the oral advice of a member of the Staff of the Commission, the Registration Statement has become effective under the Act and, to the best of the knowledge of such counsel, no stop order proceedings with respect thereto have been instituted or are pending or threatened under the Act.

(iv) The Registration Statement, as of the date it became effective, the Prospectus and each amendment or supplement thereto and document incorporated by reference therein, as of each of their respect dates, comply as to form in all material respects with the requirements of the Act or the Exchange Act as applicable and the applicable rules and regulations

thereunder (except that such counsel need express no opinion as to the financial statements and related schedules incorporated by reference therein).

(v) The statements under the captions "Recent Developments -- Pennichuck Acquisition" and "Relationship with Vivendi Environnment S.A. -- Agreement to Repurchase Shares and Financing Plan" in the Prospectus, insofar as such statements constitute a summary of documents referred to therein or matters of law, fairly summarize in all material respects the information called for with respect to such documents and matters.

(vi) Such counsel does not know of any contracts or documents required to be filed as exhibits to or incorporated by reference in the Registration Statement or described in the Registration Statement or the Prospectus which are not so filed, incorporated by reference or described as required, and to counsel's knowledge, such contracts and documents as are summarized in the Registration Statement or the Prospectus are fairly summarized in all material respects.

(vii) Such counsel knows of no material legal or governmental

proceedings pending or threatened against the Company or any of the Subsidiaries except as set forth in the Prospectus.

(viii) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not violate or result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or By-Laws of the Company, or any material indenture, mortgage, deed of trust or other material agreement or instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries may be bound and which is known to such counsel.

(ix) This Agreement has been duly authorized, executed and delivered by the Company.

(x) No approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other than as may be required by the NASD or as required by State securities and Blue Sky laws as to which such counsel need express no opinion) except such as have been obtained or made, specifying the same.

(xi) The Company is not an "investment company" or an entity "controlled" by an "investment company" within the meaning of such terms under the 1940 Act and the rules and regulations of the Commission thereunder.

In rendering such opinion Morgan Lewis may rely as to matters governed by the laws of states other than Pennsylvania, New York or Federal laws on local counsel in such jurisdictions, provided that in each case Morgan Lewis shall state that they believe that they and the Underwriters are justified in relying on such other counsel. In addition to the matters set forth above, the Underwriters shall receive a statement from such counsel to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, at the time it became effective under the Act (including the information deemed to be a part of the Registration Statement at the time it became effective pursuant to Rule 430A under the Act), as of the date hereof and as of the Closing Date or the Option Closing Date, as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein), and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Morgan Lewis may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(c) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinions of Roy H. Stahl, Esq., Executive Vice President - General Counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Pennsylvania, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; each of the Subsidiaries has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; the Company and each of the Subsidiaries are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification, or in which the failure to qualify would have a Materially Adverse Effect; and the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable and are owned by the

Company or a Subsidiary; and, to the best of such counsel's knowledge, the outstanding shares of capital stock of each of the Subsidiaries is owned free and clear of all liens, encumbrances and equities and claims, and no options, warrants or other rights to purchase,

agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock or of ownership interests in the Subsidiaries are outstanding.

(ii) Except as described in or contemplated by the Prospectus or the documents incorporated by reference therein, there are no outstanding securities of the Company convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of capital stock of the Company and there are no outstanding or authorized options, warrants or rights of any character obligating the Company to issue any shares of its capital stock or any securities convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of such stock; and except as described in the Prospectus or the documents incorporated by reference therein, no holder of any securities of the Company or any other person has the right, contractual or otherwise, which has not been satisfied or effectively waived, to cause the Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, any of the Shares or the right to have any Common Shares or other securities of the Company included in the Registration Statement or the right, as a result of the filing of the Registration Statement, to require registration under the Act of any shares of Common Stock or other securities of the Company.

(iii) Each of the Company and the Subsidiaries owns, possesses, has obtained or meets the requirements for all licenses, permits, certificates, consents, orders, approvals and other authorizations from, and has made all declarations and filings with, all federal, state, local and other governmental authorities (including foreign regulatory agencies), all self-regulatory organizations and all courts and other tribunals, domestic or foreign, necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as conducted as of the date hereof except where the lack thereof would not have a Material Adverse Effect, and neither the Company nor any such Subsidiary has received any actual written notice of any proceeding relating to revocation or modification of any such license, permit, certificate, consent, order, approval or other authorization that would materially interfere with its ownership or lease, as the case may be, or the operation of its properties or the carrying on of its business as conducted on the date hereof, except as described in the Registration Statement and the Prospectus; and to the best of his knowledge, each of the Company and the Subsidiaries is in material compliance with all laws and regulations relating to the conduct of its business as conducted as of the date of the Prospectus except where such noncompliance would not have a Material Adverse Effect.

(d) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Cleary, Gottlieb, Steen & Hamilton ("CLEARY GOTTLIEB"), counsel for the Selling Shareholders, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) to the effect that:

(i) This Agreement has been duly authorized, executed and delivered on behalf of the Selling Shareholders and is a valid and binding agreement of each Selling Shareholder.

(ii) Each Selling Shareholder has full legal right, power and authority, and any approval required by law (other than as required by State securities and Blue Sky laws as to which such counsel need express no opinion), to sell, assign, transfer and deliver the portion of the Shares to be sold by such Selling Shareholder.

(iii) Assuming that (a) DTC is a "clearing corporation" as defined in Section 8-102(a)(5) of the Uniform Commercial Code (the "UCC"), and (b) each of the Underwriters acquires its interest in the Shares it has purchased without notice of any adverse claim (within the meaning of Section

8-105 of the UCC), each Underwriter that has purchased Shares from the Selling Shareholders, made payment therefor pursuant to this Agreement and has had such Shares credited to a securities account of such Underwriter maintained with DTC will have acquired a securities entitlement (within the meaning of Section 8-102(a)(17) of the UCC) to such Shares, and no action based on an adverse claim may be asserted against such Underwriter with respect to such security entitlement.

In rendering such opinion, Cleary Gottlieb may rely as to matters governed by the laws of states other than New York or Federal laws on local counsel in such jurisdictions, provided that in each case Cleary Gottlieb shall state that they believe that they and the Underwriters are justified in relying on such other counsel.

(e) The Representatives shall have received from Davis Polk & Wardwell ("DAVIS POLK"), counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, substantially to the effect specified in subparagraph (x) of Paragraph (b) of this Section 6 and subparagraph (i) of Paragraph (d) of this Section 6. In rendering such opinion Davis Polk may rely as to all matters governed other than by the laws of the State of New York or Federal laws on the opinion of counsel referred to in Paragraph (b) of this Section 6. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, or any amendment thereto, as of the time it became effective under the Act (including the information deemed to be a part of the Registration Statement at the time it became effective pursuant to Rule 430A under the Act) as of the Closing Date or the Option Closing Date, as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact, necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Davis Polk may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(f) You shall have received, on each of the date hereof, the Closing Date and, if applicable, the Option Closing Date, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to you, of PricewaterhouseCoopers LLP confirming that they are independent public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder and stating that in their opinion the financial statements and schedules examined by them and included in the Registration Statement comply in form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations; and containing such other statements and information as is ordinarily included in accountants' "comfort letters" to Underwriters with respect to the financial statements and certain financial and statistical information contained in the Registration Statement and Prospectus. You shall also have received, on each of the date hereof, the Closing Date and, if applicable, the Option Closing Date, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to you, of KMPG with regard to certain financial information for fiscal year 1999.

(g) The Representatives and the Selling Shareholders shall have received on the Closing Date and, if applicable, the Option Closing Date, as the case may be, a certificate or certificates of Nicholas DeBenedictis, President and Chairman of the Company, and David Smeltzer, Chief Financial Officer of the Company, solely in their respective capacities as such, to the effect that, as of the Closing Date or the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) The Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement

has been issued, and, to his knowledge after due inquiry, no proceedings for such purpose have been taken or are, to his knowledge, contemplated or threatened by the Commission;

(ii) The representations and warranties of the Company contained in Section 1 hereof are true and correct as of the Closing Date or the Option Closing Date, as the case may be;

(iii) All filings required to have been made pursuant to Rules 424 or 430A under the Act have been made as and when required by such rules;

(iv) He has carefully examined the Registration Statement and the Prospectus and, in his opinion, as of the effective date of the Registration Statement, the statements contained in the Registration Statement were true and correct, and such Registration Statement and Prospectus did not omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and since the effective date of the Registration Statement, no event has occurred which

should have been set forth in a supplement to or an amendment of the Prospectus which has not been so set forth in such supplement or amendment; and

(v) Since the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been any change or any development that has had or will have a Material Adverse Effect.

(h) The Company and the Selling Shareholders shall have furnished to the Representatives such further certificates and documents confirming the representations and warranties, covenants and conditions contained herein and related matters as the Representatives my reasonably have requested.

(i) The Lockup Agreements described in Section 4(a)(viii) are in full force and effect.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Representatives and to Davis Polk, counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representatives by notifying the Company and the Selling Shareholders of such termination in writing or by telegram at or prior to the Closing Date or the Option Closing Date, as the case may be.

In such event, the Selling Shareholders, the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 8 hereof).

7. CONDITIONS OF THE OBLIGATIONS OF THE SELLING SHAREHOLDERS.

The obligations of the Selling Shareholders to sell and deliver the portion of the Shares required to be delivered as and when specified in this Agreement are subject to the conditions that at the Closing Date or the Option Closing Date, as the case may be, no stop order suspending the effectiveness of the Registration Statement shall have been issued and in effect or proceedings therefor initiated or threatened and the Selling Shareholders shall have been furnished the opinion described in Section 6(b) and the certificate described in Section 6(g).

8. INDEMNIFICATION.

(a) The Company agrees:

(1) to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which such Underwriter or any such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives or the Selling Shareholders specifically for use in the preparation thereof; and

(2) to reimburse each Underwriter and each such controlling person upon demand for any legal or other out-of-pocket expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any action or proceeding. In the event that it is finally judicially determined that the Underwriters were not entitled to receive payments for legal and other expenses pursuant to this subparagraph, the Underwriters will promptly return all sums that had been advanced pursuant hereto.

(b) The Selling Shareholders agree to indemnify the Underwriters and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which such Underwriter or controlling person may become subject under the Act or otherwise to the same extent as indemnity is provided by the Company pursuant to Section 8(a) above; provided, however, that each Selling Shareholders' indemnity obligation shall be limited to losses, claims, damages or liabilities arising out of or based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through such Selling Shareholder specifically for use in the preparation thereof. In no event shall the liability of any Selling Shareholder for indemnification under Section 8(a) exceed the proceeds received by such Selling Shareholder from the Underwriters in the offering. This indemnity obligation will be in addition to any liability which the Company may otherwise have.

(c) Each Underwriter severally and not jointly will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement, the Selling Shareholders, and each person, if any, who controls the Company or the Selling Shareholders within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer, Selling Shareholder or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, Selling Shareholder or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or

proceeding; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Section 8, such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing. No indemnification provided for in Section 8(a), (b) or (c) shall be available to any party who shall fail to give notice as provided in this Section 8(d) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of the provisions of Section 8(a), (b) or (c). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay as incurred (or within 30 days of presentation) the fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties)

include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) the indemnifying party shall have failed to assume the defense and employ counsel acceptable to the indemnified party within a reasonable period of time after notice of commencement of the action. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm for all such indemnified parties. Such firm shall be designated in writing by you in the case of parties indemnified pursuant to Section 8(a) or (b) and by the Company and the Selling Shareholders in the case of parties indemnified pursuant to Section 8(c). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, the indemnifying party will not, without the prior written consent of the indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding of which indemnification may be sought hereunder (whether or not any indemnified party is an actual or potential party to such claim, action or proceeding) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action or proceeding.

(e) To the extent the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other from the

offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Shareholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus; provided however, that nothing herein shall be construed to prevent the Company and the Selling Shareholders from allocating any such losses, claims, damages or liabilities among themselves pursuant to a separate agreement between such parties. 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 relates to information supplied by the Company or the Selling Shareholders on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 8(e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter, (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation, and (iii) no Selling Shareholder shall be required to contribute any amount in excess of the proceeds received by such Selling Shareholder from the Underwriters in the offering. The Underwriters' obligations in this Section 8(e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 8 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join it as an additional defendant in any such proceeding in which such other contributing party is a party.

(g) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, and (iii) any termination of this Agreement. A successor to any Underwriter, or any person controlling any Underwriter, or to the Company, its

directors or officers, or any person

controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

9. DEFAULT BY UNDERWRITERS.

If on the Closing Date or the Option Closing Date, as the case may be, any Underwriter shall fail to purchase and pay for the portion of the Shares which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company or a Selling Shareholder), you, as Representatives of the Underwriters, shall use your reasonable efforts to procure within 36 hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company and the Selling Shareholders such amounts as may be agreed upon and upon the terms set forth herein, the Shares which the defaulting Underwriter or Underwriters failed to purchase. If during such 36 hours you, as such Representatives, shall not have procured such other Underwriters, or any others, to purchase the Shares agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of shares with respect to which such default shall occur does not exceed 10% of the Shares to be purchased on the Closing Date or the Option Closing date, as the case may be, the other Underwriters shall be obligated, severally, in proportion to the respective numbers of Shares which they are obligated to purchase hereunder, to purchase the Shares which such defaulting Underwriter or Underwriters failed to purchase, or (b) if the aggregate number of shares of Shares with respect to which such default shall occur exceeds 10% of the Shares to be purchased on the Closing Date or the Option Closing Date, as the case may be, the Company and the Selling Shareholders or you as Representatives will have the right, by written notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company or of the Selling Shareholders except to the extent provided in Sections 5 and 8 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 9, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven days, as the Company or you, as Representatives, may determine in order that the required changes in the Registration Statement or in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any person substituted for a defaulting Underwriter. Any action taken under this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. NOTICES.

All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered, telecopied or telegraphed and confirmed as follows: if to the Underwriters, to Deutsche Bank Securities Inc., One South Street, Baltimore, Maryland 21202; Attention: Syndicate Manager, with a copy to Deutsche Bank Securities Inc., 31 West 52nd Street, New York, New York 10019, Attention: General Counsel.

To the Company:

Philadelphia Suburban Corporation
762 W. Lancaster Avenue
Bryn Mawr, PA 19010
Attention: Roy H. Stahl, Esq.
Executive Vice President and General Counsel
Fax: 610.645.1061

with a copy to:

Morgan, Lewis & Bockius LLP
1701 Market Street

Philadelphia, PA 19103
Attention: Stephen A. Jannetta, Esq.
Fax: 215.963.5299

To the Selling Shareholders:

Vivendi Water S.A.
52, rue d'Anjou
75008 Paris
France
Attention: Olivier Grunberg
Fax: (+33.1) 49.24.69.11

Vivendi North America Company
60 East 42nd Street, 36th Floor
New York, NY 10165
Attention: Jerome Contamine
Fax: (+33.1) 71.75.10.09

with a copy to:

Cleary, Gottlieb, Steen & Hamilton
41, avenue de Friedland
75008 Paris
France
Attention: Andrew A. Bernstein, Esq.

Fax: (+33.1) 45.63.66.37

11. TERMINATION.

This Agreement may be terminated by you, as Representatives, by written notice to the Company and the Selling Shareholders (a) at any time prior to the Closing Date or any Option Closing Date (if different from the Closing Date and then only as to Option Shares) if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development occurs that has had a Material Adverse Effect (ii) any outbreak or escalation of hostilities or declaration of war or national emergency or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your reasonable judgment, make it impracticable or inadvisable to market the Shares or to enforce contracts for the sale of the Shares, or (iii) suspension of trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market or limitation on prices (other than limitations on hours or numbers of days of trading) for securities on either such Exchange, (iv) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which in your reasonable opinion would create a Material Adverse Effect (v) the declaration of a banking moratorium by United States or New York State authorities, (vi) any downgrading, or placement on any watch list for possible downgrading, in the rating of any of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Exchange Act); (vii) the suspension of trading of the Company's common stock by the New York Stock Exchange, the Commission, or any other governmental authority or, (viii) the taking of any action by any governmental body or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the securities markets in the United States; or

(b) as provided in Sections 6 and 9 of this Agreement.

Any such termination shall be without liability of any party to any other party except that the provisions of Section 5 and 8 hereof shall at all times be effective.

12. SUCCESSORS.

This Agreement has been and is made solely for the benefit of the

Underwriters, the Company and the Selling Shareholders and their respective successors, executors, administrators, heirs and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign merely because of such purchase.

13. INFORMATION PROVIDED BY UNDERWRITERS AND SELLING SHAREHOLDERS.

The Company, the Selling Shareholders and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Underwriter to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth under the caption "Underwriting" in the Prospectus. The Company, the Selling Shareholders and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Selling Shareholder to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth under the captions "Selling Shareholders" and "Relationship with Vivendi Environnement S.A. -- General" in the Prospectus.

14. MISCELLANEOUS.

The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or its directors or officers and (c) delivery of and payment for the Shares under this Agreement.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

15. SUBMISSION TO JURISDICTION

Except as set forth below, no claim arising out of or in any way relating to this Agreement may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and each of the Company and the Selling Shareholders consents to the jurisdiction of such courts and personal service with respect thereto. Each of the Company and the Selling Shareholders hereby consents to personal jurisdiction, service and venue in any court in which any claim arising out of or in any way relating to this Agreement is brought by any third party against UBS Warburg LLC, Deutsche Bank Securities Inc. or any indemnified party. Each of UBS Warburg LLC, Deutsche Bank Securities Inc., the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its shareholders and affiliates) and the Selling Shareholders waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. Each of the Company and Selling Shareholders agrees that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company or such Selling Shareholder and may be enforced in any other courts in the jurisdiction of which the Company or such Selling Shareholder is or may be subject, by suit upon such judgment.

* * *

If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Selling Shareholders, the Company and the several Underwriters in accordance with its terms.

Any person executing and delivering this Agreement as Attorney-in-Fact for a Selling Shareholder represents by so doing that he has been duly appointed as Attorney-in-Fact by such Selling Shareholder pursuant to a validly existing and binding Power of Attorney which authorizes such Attorney-in-Fact to take such action.

Very truly yours,

PHILADELPHIA SUBURBAN CORPORATION

By:_____
Title:

Selling Shareholders listed on Schedule II

By:_____
Attorney-in-Fact

The foregoing Underwriting Agreement
is hereby confirmed and accepted as
of the date first above written.

DEUTSCHE BANK SECURITIES INC.
UBS WARBURG LLC

As Representatives of the several
Underwriters listed on Schedule I

By: Deutsche Bank Securities Inc.

By: _____
Authorized Officer

By: _____
Authorized Officer

By: UBS Warburg LLC

By: _____
Authorized Officer

By: _____
Authorized Officer

SCHEDULE I

SCHEDULE OF UNDERWRITERS

Underwriter	Number of Firm Shares to be Purchased
Deutsche Bank Securities Inc.	
UBS Warburg LLC	

Total	----------

SCHEDULE II

SCHEDULE OF SELLING SHAREHOLDERS

Selling Shareholder	Number of Firm Shares to be Sold
----------	----------

SCHEDULE III

SIGNIFICANT SUBSIDIARIES

Pennsylvania Suburban Water Company
Consumers Water Company

Exhibit 10.1

REGISTRATION AND STOCK PURCHASE AGREEMENT

Registration and Stock Purchase Agreement, dated as of July 8, 2002 (this "Agreement"), among Philadelphia Suburban Corporation, a Pennsylvania corporation (the "Company"), Vivendi Environnement S.A., a French corporation ("VE"), Vivendi Water S.A., a French corporation ("VW"), and Vivendi North America Company, a Delaware corporation ("VNAC").

WHEREAS, VW and VNAC are respectively the beneficial owners of 10,334,221 and 761,654 shares of the Company's common stock, par value $.50 per share (the "Common Stock"); and

WHEREAS, after the execution of this Agreement, VW, VNAC and the Company plan to enter into an underwriting agreement substantially in the form of Exhibit A hereto (the "Underwriting Agreement") providing for the sale by VW and VNAC of up to 9,885,256 shares of the Common Stock (the "Public Sale"); and

WHEREAS, following completion of the Public Sale, the Company desires to purchase from VW, and VW desires to sell to the Company, up to 2,500,000 shares of the Common Stock (the "Buyback").

NOW, THEREFORE, in consideration of the mutual covenants and undertakings contained herein, and on the terms and subject to the conditions set forth herein, the parties hereto, each representing to the other that its execution, delivery and performance of this Agreement has been fully and duly authorized, agree as follows:

SECTION 1 - DEFINITIONS

1.1 SPECIFIC DEFINITIONS. As used in this Agreement, the following terms shall have the meanings set forth below:

"Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banks in Philadelphia, Pennsylvania are authorized or obligated by law or executive order to close.

"Buyback Closing" shall mean the closing of the Buyback.

"Buyback Closing Date" shall mean the date on which the Buyback Closing occurs.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

"Governmental Entity" shall mean any federal, state or local judicial, legislative, executive or regulatory authority.

"Public Closing" shall mean the closing of the Public Sale.

"Public Closing Date" shall mean the date on which the Public Closing occurs.

"Securities Act" shall mean the Securities Act of 1933, as amended.

Other terms are defined elsewhere in this Agreement and, unless otherwise indicated, shall have such meanings throughout this Agreement.

SECTION 2 - REGISTRATION

2.1 REGISTRATION STATEMENT.

(a) The Company shall prepare and file with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 or any successor form thereto (the "Registration Statement") to register the resale of up to 9,885,256 shares of the Common Stock held by VW and VNAC (as adjusted for any reorganization, recapitalization, reclassification, stock dividend, stock split or combination, or any other changes to the capital structure of the Company, the "Registered Shares"). The Company shall use commercially reasonable efforts to obtain an order of effectiveness from the Commission as soon as practicable after filing. The Company shall have no obligation to keep the Registration Statement effective for more than 60 days following the issuance of

the original order of effectiveness.

(b) VE, VW and VNAC shall furnish such information as the Company may reasonably request in connection with the preparation of the Registration Statement in order to permit the Company to comply with all applicable securities laws and requirements of the Commission within two days of such request.

(c) The Company shall execute the Underwriting Agreement on the date of pricing of the Public Sale. In the event that VE, VW and VNAC agree with the underwriters on a price for the sale of the Registered Shares in the Public Sale, each of VW and VNAC shall execute the Underwriting Agreement (subject to completion of pricing information) on the date of pricing of the Public Sale. Each of VE, VW and VNAC shall use commercially reasonable efforts to cause A.G. Edwards & Sons, Inc., Janney Montgomery Scott LLC and Edward Jones to be included in the underwriting syndicate for the Public Sale.

2.2 USE OF REGISTRATION STATEMENT. Each of VE, VW and VNAC hereby agrees and acknowledges that (i) the Registration Statement shall relate exclusively to a sale of the Registered Shares by VW and VNAC in a firm commitment underwriting that is not being effected pursuant to Rule 415 under the Securities Act and (ii) the Registration Statement shall be used solely in connection with the Public Sale.

2.3 INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless VE, VW and VNAC, their directors, officers and each person, if any, who controls VE, VW and VNAC within the meaning of Section 15 of the Securities Act, from and against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) to which VE, VW and VNAC, their directors, officers and each person, if any, who controls VE, VW and VNAC within the meaning of Section 15 of the Securities Act, may become subject (under the Securities Act or otherwise) to the extent that such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon, any actual or alleged untrue statement of a material fact or actual or alleged omission to state a material fact in the Registration Statement, including all documents filed as a part thereof and information deemed to be incorporated by reference therein, on the effective date thereof, or any amendment or supplements thereto, or arise out of any failure by the Company to fulfill any undertaking or covenant included in the Registration Statement, and the Company will, as incurred, reimburse VE for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim; provided, however, that the Company shall not be liable in any such case to the extent that such loss, claim, damage or liability arises out of, or is based upon (i) an actual or alleged untrue statement or

omission in such Registration Statement in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of VE specifically for use in preparation of the Registration Statement and not corrected by VE in writing at least 5 Business Days prior to the sale that is the subject of such losses, claims, damages and liabilities or (ii) an untrue statement or omission in any prospectus that is corrected in any subsequent prospectus, or supplement or amendment thereto, that was delivered to VE prior to the pertinent sale or sales by VE, VW or VNAC and not delivered by VE prior to such sale(s) to the person or entity to which it made such sale(s).

(b) VE agrees to indemnify and hold harmless the Company, its directors, officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) to which the Company, its directors, officers and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, may become subject (under the Securities Act or otherwise) to the extent that such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of, or are based upon (i) an actual or alleged untrue statement of a material fact or actual or alleged omission to state a material fact in the Registration Statement or any amendment or supplements thereto in reliance upon and in conformity with written information furnished to the Company by or on behalf of VE specifically for use in preparation of the Registration Statement (provided, however, that VE shall not be liable in any such case for any untrue statement or omission in any prospectus or Registration Statement which

statement has been corrected, in writing, by VE and delivered to the Company at least 5 Business Days prior to the sale that is subject of such losses, claims, damages and liabilities), or (ii) an untrue statement or omission in any prospectus that is corrected in any subsequent prospectus or supplement or amendment thereto, that was delivered to VE prior to the pertinent sale or sales by VW or VNAC and not delivered by VW or VNAC prior to such sale(s) to the person or entity to which it made such sale(s), and VE will, as incurred, reimburse the Company for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such action, proceeding or claim.

(c) Promptly after receipt by any indemnified person of a notice of a claim or the beginning of any action in respect of which indemnity is to be sought against an indemnifying person pursuant to this Section, such indemnified person shall notify the indemnifying person in writing of such claim or of the commencement of such action and, subject to the provisions hereinafter stated, in case any such action shall be brought against an indemnified person, the indemnifying person shall be entitled to participate therein, and to assume the defense thereof, with counsel reasonably satisfactory to the indemnified person. After notice from the indemnifying person to such indemnified person of the indemnifying person's election to assume the defense thereof, the indemnifying person shall not be liable to such indemnified person for any legal expenses subsequently incurred by such indemnified person in connection with the defense thereof; provided, however, that if there exists or shall exist a conflict of interest that would make it inappropriate in the reasonable judgment of the indemnified person for the same counsel to represent both the indemnified person and such indemnifying person or any affiliate or associate thereof, the indemnified person shall be entitled to retain its own counsel at the expense of such indemnifying person; provided, further, that the indemnifying person shall not be obligated to assume the expenses of more than one counsel and, to the extent applicable, one local counsel, to represent all indemnified persons.

(d) If the indemnification provided for in this Section is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and VE, VW or VNAC on the

other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault shall be determined by reference to, among other things, whether the actual or alleged untrue statement of a material fact or the actual or alleged omission to state a material fact relates to information supplied by the Company on the one hand or VE on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and VE agree that it would not be just and equitable if contribution pursuant to this subsection (d) were determined by pro rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

2.4 REGISTRATION EXPENSES. VE shall reimburse the Company for all reasonable and documented expenses of the Company incurred in connection with the preparation and filing of the Registration Statement, including, but not limited to, (i) all registration fees paid to the Commission relating to the Registered Shares, (ii) all reasonable and documented expenses incurred in connection with the printing and distribution of preliminary prospectuses and the final prospectus (including any amendments and supplements thereto) used in connection with the offering of the Registered Shares, (iii) the reasonable and documented fees and disbursements of the Company's legal counsel (up to a

maximum amount of $75,000) billed in connection with the preparation and filing of the Registration Statement and the delivery of a customary legal opinion in connection with the offering of the Registered Shares, (iv) the reasonable and documented fees and disbursements of the Company's auditors billed in connection with the delivery of customary consents and comfort letters in connection with the Registration Statement and (v) any travel expenses of the Company's officers and employees and any other expenses of the Company in connection with attending or hosting meetings with prospective purchasers of the Registered Shares (collectively, the "Registration Fees"). Notwithstanding the foregoing, VE shall not be liable for any expenses incident to the performance of the Company's obligations under the Exchange Act, including, without limitation, the preparation of audited annual financial statements and unaudited interim financial statements and the filing of any Annual Reports on Form 10-K, any Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K (including any amendments thereto). The Company shall deduct the Registration Fees from the funds transferred to VW on the Buyback Closing Date as provided in Section 3.2(b); provided however, if this Agreement or the Underwriting Agreement is terminated, VE shall pay the Registration Fees to the Company in immediately available funds within 15 days of such termination.

SECTION 3 - THE BUYBACK

3.1 PURCHASE AND SALE OF SHARES. On the terms and subject to the conditions, and in reliance on the representations and warranties, set forth herein, at the Buyback Closing, VW shall sell and transfer to the Company, and the Company shall purchase from VW, 2,500,000 shares of the Common Stock (as adjusted for any reorganization, recapitalization, reclassification, stock dividend, stock split or combination, or any other changes to the capital structure of the Company, and as such number of shares may be reduced pursuant to Section 3.3 below, the "Buyback Shares") at a cash purchase price per share equal to the purchase price per share offered to the public in connection with the Public Sale (the "Purchase Price").

3.2 CLOSING; DELIVERY AND PAYMENT.

(a) The Buyback Closing shall take place at the offices of Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, PA 19103, or at such other place as VW and the Company shall agree, at 9:00 a.m. (local time) on, (i) if the over-allotment option described in Section 2(d) of the Underwriting Agreement is exercised, the later of (A) the date of the closing of such over-allotment option and (B) the 30th day following the Public Closing Date (unless such day is not a Business Day, in which case the Buyback Closing Date shall be on the next succeeding Business Day) or as soon thereafter as practicable after the conditions set forth in Section 5 have been satisfied or (ii) if the over-allotment option described in Section 2(d) of the Underwriting Agreement is not exercised, the 30th day following the Public Closing Date (unless such day is not a Business Day, in which case the Buyback Closing Date shall be on the next succeeding Business Day) or as soon thereafter as practicable after the conditions set forth in Section 5 have been satisfied.

(b) On the Buyback Closing Date, VW shall deliver to the Company such instruments of transfer, in form and substance reasonably satisfactory to the Company, as shall be sufficient to transfer the Buyback Shares to the Company, and in exchange therefor (and upon receipt of confirmation from the Company's transfer agent of its receipt of the instruments of transfer to be delivered to it), the Company shall pay to VW in immediately available funds to the account(s) designated by VW, an amount equal to (i) the aggregate Purchase Price for the Buyback Shares plus (ii) the amount of the Underwriting Commission Fees (as defined in Section 3.3), if any, minus (iii) the sum of (A) the amount of the Registration Fees (as defined in Section 2.4) plus (B) the amount of the Pre-registration Expenses (as defined in Section 8.1).

(c) At the Buyback Closing, counsel to VW shall deliver its opinion to the Company as to the matters set forth in Sections 4.1(a) and 4.3(ii) and (iii), in form and substance substantially similar to the enforceability and conveyance opinions delivered by such counsel in connection with the Underwriting Agreement, and dated as of the Buyback Closing Date.

(d) At the Buyback Closing, counsel to the Company shall deliver its opinion to VW, as to the matters set forth in Section 4.1(a), in form and substance substantially similar to the enforceability opinion delivered by such counsel in connection with the Underwriting Agreement, and dated as of the

Buyback Closing Date.

3.3 OVER-ALLOTMENT SHARES. Any shares of the Common Stock purchased by the underwriters of the Public Sale pursuant to the exercise of the over-allotment option described in Section 2(d) of the Underwriting Agreement (the "Over-allotment Shares") shall reduce, on a one-for-one basis, the number of Buyback Shares that the Company is required to purchase at the Buyback Closing. The Company shall pay to VW on the Buyback Closing Date, in the manner provided in Section 3.2(b), an amount equal to 50% of the aggregate amount of underwriting discounts and commissions paid by VW or deducted by the underwriters of the Public Sale in connection with the purchase of the Over-allotment Shares (the "Underwriting Commission Fees").

SECTION 4 - REPRESENTATIONS AND WARRANTIES

4.1 BY THE PARTIES. Each of VE, VW and VNAC represents and warrants to the Company, and the Company represents and warrants to VE, VW and VNAC, as follows:

(a) It has all necessary authority for the execution, delivery and performance of this Agreement by it; it has duly executed and delivered this Agreement; and this Agreement is a valid and

legally binding agreement, enforceable against it in accordance with its terms, assuming the due execution and delivery by the other parties; and

(b) The performance of this Agreement by it will not violate or conflict with any law, regulation, order or agreement, or, to the extent applicable, such party's charter or organizational documents, and such party is not required to obtain any governmental approvals or third party consents to enter into and perform its obligations pursuant to this Agreement. Such execution and performance does not and will not constitute a default under any agreement or obligation binding on it or result in the forfeiture or loss of any rights or assets by it except as specifically provided for in this Agreement.

4.2 BY THE COMPANY, VW AND VNAC. The Company represents to VW and VNAC and each of VW and VNAC represents to the Company that the Underwriting Agreement, when executed and delivered, will be a valid and legally binding agreement, enforceable against it in accordance with its terms, assuming the due execution and delivery by the other parties.

4.3 BY VW. VW represents and warrants to the Company that (i) it is the beneficial owner of 10,334,221 shares of the Common Stock (the "VW Shares") and owns no other shares of the Common Stock, (ii) the Buyback Shares are owned, and will at the Buyback Closing be conveyed to the Company by VW, free and clear of any liens, charges or encumbrances, (iii) upon delivery of the Buyback Shares, and payment therefor pursuant hereto, good and valid title to the Buyback Shares will pass to the Company, (iv) the VW Shares included in the Option Shares (as defined in Section 6.2) (if any) are owned, and will on the date of any closing with respect to the Option Shares (if any) be conveyed to the Company by VW, free and clear of any liens, charges or encumbrances and (v) upon delivery of the VW Shares included in the Option Shares (if any), and payment therefor pursuant hereto, good and valid title to the VW Shares included in the Option Shares (if any) will pass to the Company.

4.4 BY VNAC. VNAC represents and warrants to the Company that (i) it is the beneficial owner of 761,654 shares of the Common Stock (the "VNAC Shares") and owns no other shares of the Common Stock, (ii) the VNAC Shares included in the Option Shares (if any) are owned, and will on the date of any closing with respect to the Option Shares (if any) be conveyed to the Company by VNAC, free and clear of any liens, charges or encumbrances and (iii) upon delivery of the VNAC Shares included in the Option Shares (if any), and payment therefor pursuant hereto, good and valid title to the VNAC Shares included in the Option Shares (if any) will pass to the Company.

4.5 BY VE. VE represents and warrants to the Company that, except to the extent it may be deemed to be the beneficial owner of the VW Shares and the VNAC Shares, it owns no shares of the Common Stock.

4.6 BY THE COMPANY. As of the date it became effective under the Securities Act, the Registration Statement contained, and the prospectus contained therein (the "Prospectus") and any amendments or supplements thereto will contain, as of the date the Prospectus or any such amendment or supplement

is filed with the Securities and Exchange Commission (the "Commission"), all statements which are required to be stated therein by, and will conform in all material respects to, the requirements of the Securities Act and the rules and regulations of the Commission thereunder. The documents incorporated, or to be incorporated, by reference in the Prospectus, at the time they became effective or were or will be filed with the Commission, conformed or will conform, as the case may be, in all material respects, to the requirements of the Exchange Act or the Securities Act, as applicable, and the rules and regulations of the Commission thereunder. The Registration Statement and any amendment thereto will not contain, as of the date it becomes effective, any untrue statement of a material fact and will not omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Prospectus and any amendments

and supplements thereto, as of the date the Prospectus or any such amendment or supplement is filed with the Commission, will not contain any untrue statement of material fact and will not omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided however, that the Company makes no representations or warranties as to the information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of VE, VW or VNAC or any underwriter set forth in the Underwriting Agreement, specifically for use in the preparation thereof.

4.7 NO OTHER WARRANTIES. Except as expressly set forth in this Agreement, no party is relying on any express or implied representations or warranties relating to any party or to the consummation of the transactions contemplated hereby. Except as and to the extent expressly set forth in this Agreement, each party hereto hereby disclaims all liability and responsibility for any statement or information made or communicated (orally or in writing) to any other party hereto or any affiliate, representative or agent thereof (including without limitation any opinion, information or advice by any officer, director, consultant, affiliate, representative or agent of the disclaiming party).

SECTION 5 - CONDITIONS TO THE PARTIES' OBLIGATIONS TO CONSUMMATE THE BUYBACK

5.1 CONDITIONS TO THE OBLIGATIONS OF VW TO CONSUMMATE THE BUYBACK. The obligation of VW to consummate the Buyback is subject to the satisfaction (or waiver) of the following conditions:

(a) No Injunctions. There shall not be in effect any statute, regulation, order, decree or judgment of any Governmental Entity that makes illegal or enjoins or prevents in any material respect the consummation of the transactions contemplated by this Agreement.

(b) Representations. All representations made by the Company in Section 4 hereof shall be true and correct in all material respects at and as of the Buyback Closing Date.

(c) The Public Sale. The Public Closing shall have occurred.

(d) Legal Opinion. The legal opinion referred to in Section 3.2(d) shall have been delivered to VW.

5.2 CONDITIONS TO THE OBLIGATIONS OF THE COMPANY TO CONSUMMATE THE BUYBACK. The obligation of the Company to consummate the Buyback is subject to the satisfaction (or waiver) of the following conditions:

(a) No Injunctions. There shall not be in effect any statute, regulation, order, decree or judgment of any Governmental Entity that makes illegal or enjoins or prevents in any material respect the consummation of the transactions contemplated by this Agreement.

(b) Representations. All representations made by VE, VW and VNAC in Section 4 hereof shall be true and correct in all material respects at and as of the Buyback Closing Date.

(c) The Public Sale. The Public Closing shall have occurred.

(d) Legal Opinion. The legal opinion referred to in Section 3.2(c) shall have been delivered to the Company.

SECTION 6-COVENANTS

6.1 RESTRICTIONS ON SALE OF SECURITIES. VE, VW and VNAC and the Company agree that the provisions contained in Sections 4(b)(i) and 4(a)(viii) of the Underwriting Agreement regarding restrictions on the sale of securities of the Company by VE, VW and VNAC and the Company, respectively, shall apply as of the date hereof until the earlier to occur of (i) the termination of this Agreement and (ii) the expiration of such restrictions in accordance with the terms of the Underwriting Agreement.

6.2 UNSOLD REGISTERED SHARES.

(a) Each of VW and VNAC hereby grants to the Company an option to purchase at a cash purchase price per share equal to the Purchase Price any or all of the Subject Shares that are not sold in the Public Sale (the "Option"). "Subject Shares" shall mean the number of shares of the Common Stock held by VW and VNAC after the Public Closing Date other than the Buyback Shares.

(b) The Company's right to exercise the Option is subject to the condition that the Public Closing occur.

(c) The Option may be exercised by the Company at any time within 30 days following the Public Closing Date. In the event the Company wishes to exercise the Option, the Company shall send a written notice to VW and VNAC , with a copy to VE (the "Option Exercise Notice"), specifying the total number of Subject Shares it wishes to purchase (the "Option Shares"); provided that the Option Exercise Notice is delivered no later than three Business Days prior to the Option Closing Date. The closing of such purchase (the "Option Closing") shall take place on the Buyback Closing Date (the "Option Closing Date").

(d) On the Option Closing Date, VW and VNAC shall deliver to the Company such instruments of transfer, in form and substance reasonably satisfactory to the Company, as shall be sufficient to transfer the Option Shares to the Company, and in exchange therefor (and upon receipt of confirmation from the Company's transfer agent of its receipt of the instruments of transfer to be delivered to it) the Company shall pay to VW and VNAC the aggregate Purchase Price for the Option Shares in immediately available funds to the account(s) designated by VW and VNAC.

(e) At the Option Closing, counsel to VW and VNAC shall deliver its opinion to the Company as to the matters set forth in Sections 4.3(iv) and (v) and Sections 4.4 (ii) and (iii), in form and substance substantially similar to the conveyance opinion delivered by such counsel in connection with the Underwriting Agreement, and dated as of the Option Closing Date.

(f) The Option Closing shall take place at the offices of Morgan, Lewis & Bockius LLP, 1701 Market Street, Philadelphia, PA 19103, or at such other place as VW, VNAC and the Company shall agree, at 9:00 a.m. (local time) on the Option Closing Date.

SECTION 7 -TERMINATION

7.1 TERMINATION. This Agreement may be terminated at any time prior to the Buyback Closing:

(a) by written agreement of VE, VW, VNAC and the Company;

(b) either by VE, VW and VNAC or by the Company, by written notice of such termination to the other, if the Underwriting Agreement has not been executed on or prior to 6:00 p.m. Eastern Standard time on September 30, 2002;

(c) either by VE, VW and VNAC or by the Company if any court

of competent jurisdiction or other competent Governmental Entity shall have by statute, rule, regulation, order, decree or injunction or other action permanently restrained, enjoined or otherwise prohibited any of the transactions contemplated by this Agreement.

7.2 EFFECT OF TERMINATION. In the event of termination of this Agreement by either the Company or VE as provided in Section 7.1, this Agreement will forthwith become void and have no effect, other than the provisions of Sections 2.3 and 2.4, which provisions shall survive such termination.

SECTION 8 - MISCELLANEOUS

8.1 PRE-REGISTRATION EXPENSES. VE will reimburse the Company for the fees and disbursements of the Company's legal counsel (up to a maximum amount of $60,000) billed in connection with legal services rendered prior to April 1, 2002 in evaluating VE's proposals regarding potential transactions involving the shares of the Common Stock held by VW and VNAC (the "Pre-registration Legal Expenses"). VE will reimburse the Company for up to $20,000 of expenses billed by UBS Warburg LLC in connection with its engagement by the Company (together with the Pre-registration Legal Expenses, the "Pre-registration Expenses"). The Company shall deduct the Pre-registration Expenses from the funds transferred to VW on the Buyback Closing Date as provided in Section 3.2(b).

8.2 NOTICES. All notices or other communications hereunder shall be deemed to have been duly given and made if in writing and if served by personal delivery upon the party for whom it is intended, if delivered registered or certified mail, return receipt requested, or by a national or international courier service, if sent by facsimile transmission, provided that the facsimile transmission is promptly confirmed by telephone confirmation thereof, or on the third day after posting in the United States postage prepaid if sent by registered or certified mail, return receipt requested, to the person at the address set forth below, or such other address as may be designated in writing hereafter, in the same manner, by such person:

To the Company:

Philadelphia Suburban Corporation
762 W. Lancaster Avenue
Bryn Mawr, PA 19010
Attention: Roy H. Stahl, Esq.
Executive Vice President and General Counsel
Fax: 610.645.1061

with a copy to:

Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
Attention: Stephen A. Jannetta, Esq.
Fax: 215.963.5299

To VE, VW or VNAC:

Vivendi Environnement S.A.
36-38, avenue Kleber
75116 Paris
France
Attention: Jerome Contamine
Fax: (+33.1)71.75.10.09

Vivendi Water S.A.
52, rue d'Anjou
75008 Paris
France
Attention: Olivier Grunberg
Fax: (+33.1) 49.24.69.11

Vivendi North America Company
60 East 42nd Street, 36th Floor
New York, NY 10165
Attention: Jerome Contamine
Fax: (+33.1) 71.75.10.09

with a copy to:

Cleary, Gottlieb, Steen & Hamilton
41, avenue de Friedland
75008 Paris
France
Attention: Andrew A. Bernstein, Esq.
Fax: (+33.1) 45.63.66.37

8.3 AMENDMENT; WAIVER. Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of any amendment, by the parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and, except as otherwise provided herein, shall not be exclusive of any rights or remedies provided by law.

8.4 ASSIGNMENT. No party to this Agreement may assign any of its rights or obligations under this Agreement without the consent of the other party hereto.

8.5 ENTIRE AGREEMENT. This Agreement (which includes the Exhibit hereto) contains the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, between or among them with respect to such matters, and any written agreement of the parties that expressly provides that it is not superseded by this Agreement.

8.6 PARTIES IN INTEREST. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Except as expressly set forth herein, nothing in this Agreement, express or implied, is intended to confer upon any person other than the parties hereto, and their successors or permitted assigns, any rights or remedies under or by reason of this Agreement.

8.7 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK (without reference to its rules as to conflicts of laws).

8.8 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

8.9 ACCESS TO INFORMATION. From the date hereof until the Public Closing Date, the Company shall give VE and the Representatives (as defined in the Underwriting Agreement) of the prospective underwriters in respect of the Public Sale, and their respective accountants, attorneys, consultants, agents and other representatives such access as may reasonably be requested, during normal business days and working hours, to senior management and other appropriate parties, and to appropriate records and documents to permit a customary due diligence investigation of the Company's business and affairs and evaluate the accuracy and completeness of the information set forth in the Registration Statement. Any information obtained by VE as a result of such access shall be used solely for the purpose of satisfying such due diligence investigation. Any investigation pursuant to this Section shall be conducted in such manner as not to interfere unreasonably with the conduct of the business of the Company.

8.10 FURTHER ASSURANCES. Each party hereto shall take such actions and execute and deliver such other documents, certifications and further assurances as the other party hereto may reasonably request in order to carry out the purposes of this Agreement. In furtherance of the foregoing, the Company will make available, at locations selected by UBS Warburg LLC and Deutsche Bank Securities Inc., as representatives of the underwriters of the Public Sale, including locations in Europe if requested, its chief executive officer, its chief financial officer and its advisors, upon reasonable advance notice, for meetings with prospective purchasers of the Registered Shares and for road show presentations regarding the Company's business.

8.11 PUBLIC ANNOUNCEMENT. Except to the extent required by law or stock exchange rule (and then only after prior notice to and consultation with the other), neither VE, VW, VNAC nor the Company nor their respective representatives will, without the other party's prior written consent, disclose to any person (other than the persons employed by either VE, VW, VNAC, U.S. Filter Corp., or the Company or their respective representatives who are actively and directly participating in the transactions contemplated by this Agreement) any information about the transactions contemplated by this Agreement or the terms, conditions or other facts relating thereto, including the fact that discussions are taking place with respect thereto or the status thereof or the contents of any proposal with respect thereto.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

PHILADELPHIA SUBURBAN CORPORATION

By: /s/ Nicholas D. DeBenedictis
_____
Name: Nicholas D. DeBenedictis
Title: Chairman and Chief Executive Officer

VIVENDI ENVIRONNEMENT S.A.

By: /s/ Jerome Contamine
_____
Name: Jerome Contamine
Title: Chief Financial Officer

VIVENDI WATER S.A.

By: /s/ Olivier Grunberg
_____
Name: Olivier Grunberg
Title: Chief Financial Officer

VIVENDI NORTH AMERICA COMPANY

By: /s/ Jerome Contamine
_____
Name: Jerome Contamine
Title: President

Exhibit A

8,595,875 Shares

Philadelphia Suburban Corporation

Common Stock

($.50 Par Value)

UNDERWRITING AGREEMENT

[, 2002]

Deutsche Bank Securities Inc.
UBS Warburg LLC
As Representatives of the
several Underwriters

c/o Deutsche Bank Securities Inc.
One South Street
Baltimore, Maryland 21202

Ladies and Gentlemen:

Certain shareholders named in Schedule II hereto (the "SELLING SHAREHOLDERS") of Philadelphia Suburban Corporation, a Pennsylvania corporation (the "COMPANY"), propose to sell to the several underwriters (the "UNDERWRITERS") named in Schedule I hereto for whom you are acting as representatives (the "REPRESENTATIVES") an aggregate of 8,595,875 shares of the Company's Common Stock, $.50 par value (the "FIRM SHARES"). The respective amounts of the Firm Shares to be so purchased by the several Underwriters are set forth opposite their names in Schedule I hereto, and the respective amounts to be sold by the Selling Shareholders are set forth opposite their names in Schedule II hereto. Vivendi Water S.A. (the "OPTION SELLING SHAREHOLDER") also proposes to sell at the Underwriters' option an aggregate of up to 1,289,381 additional shares of the Company's Common Stock (the "OPTION SHARES") as set forth below.

As the Representatives, you have advised the Company and the Selling Shareholders (a) that you are authorized to enter into this Agreement on behalf of the several Underwriters, and (b) that the several Underwriters are willing, acting severally and not jointly, to purchase the numbers

of Firm Shares set forth opposite their respective names in Schedule I, plus their pro rata portion of the Option Shares if you elect to exercise the over-allotment option in whole or in part for the accounts of the several Underwriters. The Firm Shares and the Option Shares (to the extent the aforementioned option is exercised) are herein collectively called the "SHARES."

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND THE SELLING SHAREHOLDERS.

(a) The Company represents and warrants to each of the Underwriters and the Selling Shareholders as follows:

(i) A registration statement on Form S-3 (File No. 333-_____) with respect to the Shares has been prepared by the Company in conformity with the requirements of the Securities Act of 1933, as amended (the "ACT"), and the rules and regulations (the "RULES AND REGULATIONS") of the Securities and Exchange Commission (the "COMMISSION") thereunder and has been filed with the Commission. The Company and the offering and sale of the Shares contemplated by this Agreement meet the requirements and comply with the conditions for the use of Form S-3. Copies of such registration statement, including any amendments thereto, the preliminary prospectuses (meeting the requirements of the Rules and Regulations) contained therein and the exhibits, financial statements and schedules, as finally amended and revised, have heretofore been delivered by the Company to you or your representatives or are publicly available in accordance with the Rules and Regulations. Such registration statement, together with any registration statement filed by the Company pursuant to Rule 462 (b) of the Act, is herein referred to as the "REGISTRATION STATEMENT," which shall be deemed to include all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, has become effective under the Act and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. "PROSPECTUS" means the form of prospectus first filed with the Commission pursuant to Rule 424(b). Each preliminary prospectus included in the Registration Statement prior to the time the Registration Statement becomes effective is herein referred to as a "PRELIMINARY PROSPECTUS." Any reference herein to the Registration Statement, any Preliminary Prospectus or to the Prospectus or to any amendment or supplement to any of the foregoing documents shall be deemed to refer to and include any documents incorporated by reference therein, and, in the case of any reference herein to any Prospectus, also shall be deemed to include any documents incorporated by reference therein, and any supplements or amendments thereto, filed with the Commission after the date of filing of the Prospectus under Rules 424(b) or 430A, and prior to the termination of the offering of the Shares by the Underwriters.

(ii) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with corporate power and

authority to own or lease its properties and conduct its business as described in the Registration Statement. Each of the significant subsidiaries of the Company as listed on Schedule III (collectively, the "SUBSIDIARIES") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. The Company and each of the Subsidiaries are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification, except for such jurisdictions where the failure to so qualify would not have a material adverse effect on the earnings, business, management, properties, assets, rights, operations or condition (financial or otherwise) of the Company and of the Subsidiaries taken as a whole (a "MATERIAL ADVERSE EFFECT"). The outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of all liens, encumbrances and equities and claims; and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in the Subsidiaries are outstanding, other than those described in the Registration Statement or described in any document incorporated by reference therein.

(iii) The outstanding shares of Common Stock of the Company, including all shares to be sold by the Selling Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable and no preemptive rights of shareholders exist with respect to any of the Shares or the issue and sale thereof, other than those described in the Registration Statement or described in any document incorporated by reference therein. Neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock.

(iv) All of the Shares conform in all material respects to the description thereof contained in or incorporated by reference in the Registration Statement. The form of certificates for the Shares conforms to the corporate law of the jurisdiction of the Company's incorporation.

(v) The Commission has not issued an order preventing or suspending the use of any Prospectus relating to the proposed offering of the Shares nor instituted proceedings for that purpose. As of the date it became effective under the Act, the Registration Statement contained, and the Prospectus and any amendments or supplements thereto will contain, as of the date the Prospectus, such amendment or supplement is filed with the Commission, all statements which are required to be stated therein by, and conforms to, or will conform to, as the case may be, the requirements of the Act and the Rules and Regulations. The documents incorporated, or to be incorporated, by reference in the Prospectus, at the time they became effective or were or will be filed with the Commission as the case may be, conformed or will conform, as the case may be, in all material respects to the requirements of the Securities Exchange Act of 1934 ("EXCHANGE ACT") or the Act, as applicable, and the rules and regulations of the Commission thereunder. The

Registration Statement did not, as of the date it became effective, contain and any amendment thereto will not contain, any untrue statement of a material fact and did not omit, and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Prospectus and any amendments and supplements thereto, as of the date the Prospectus, such amendment or supplement is filed with the Commission do not contain, and will not contain, any untrue statement of material fact; and do not omit and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no

representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representatives or the Selling Shareholders, specifically for use in the preparation thereof.

(vi) The consolidated financial statements of the Company and the Subsidiaries, together with related notes and schedules as set forth or incorporated by reference in the Registration Statement, present fairly in all material respects the financial position and the results of operations and cash flows of the Company and the consolidated Subsidiaries, at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with generally accepted principles of accounting, consistently applied throughout the periods involved, except as disclosed therein in all material respects, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary financial and statistical data included or incorporated by reference in the Registration Statement presents fairly in all material respects the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of the company.

(vii) PricewaterhouseCoopers LLP, who have certified certain of the financial statements filed with the Commission as part of, or incorporated by reference in, the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations. KPMG LLP, who have certified the financial statements for fiscal year 1999 filed with the Commission as part of, or incorporated by reference in, the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations.

(viii) There are no legal or governmental proceedings pending to which the Company or the Subsidiaries is a party or of which any property of the Company or the Subsidiaries is the subject that are required to be disclosed in the Registration Statement that are not so disclosed as required; and to the Company's knowledge, no such proceedings are threatened or contemplated.

(ix) Each of the Company and the Subsidiaries has good and marketable title to all of their respective properties and assets reflected in the consolidated financial statements

hereinabove described except where the failure to have such title would not have a Material Adverse Effect, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements or described in the Registration Statement or which are not material in amount. Each of the Company and the Subsidiaries occupies their leased properties under valid and existing leases, with only such exceptions with respect to any particular lease as do not interfere in any material respect with the conduct of the business of the Company.

(x) Each of the Company and the Subsidiaries has filed all material Federal, State, local and foreign tax returns, or have filed for extensions of the due dates for such returns which have been required to be filed and have paid all taxes indicated by such returns and all assessments received by them or any of them to the extent that such taxes have become due, or has received timely extensions thereof, other than any taxes which the Company or any Subsidiary is contesting in good faith. The Company does not know of any actual or proposed additional material tax assessments.

(xi) Since the respective dates as of which information is given or incorporated by reference in the Registration Statement, as it may be amended or supplemented, except as described therein or in such incorporated information, there has not been any change or any development that has had or will have a Material Adverse Effect, whether or not occurring in the ordinary course of business, and there has not been any material transaction entered into by the Company or the Subsidiaries, other than transactions in the ordinary course of business and changes and transactions described in the Registration Statement, as it may be amended or supplemented. Each of the Company and the Subsidiaries has no material contingent obligations which are not disclosed in the Company's financial statements which are included in the Registration Statement.

(xii) Neither the Company nor any of the Subsidiaries is or with the giving of notice or lapse of time or both, will be, in violation of or in default under (i) its Charter or By-Laws, or (ii) under any agreement, lease,

contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound and, solely with respect to this clause (ii), which violation or default would have a Material Adverse Effect. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any material indenture, mortgage, deed of trust or other material agreement or instrument to which the Company or any Subsidiary is a party or by which the Company or any Subsidiary or any of their respective properties is bound, or of the Charter or By-Laws of the Company or any law, order, rule or regulation judgement, order, writ or decree applicable to the Company or any Subsidiary of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction, except where such breach or default would not, except with respect to the Charter or By-laws individually or in the aggregate, have a Material Adverse Effect.

(xiii) The execution and delivery of, and the performance by the Company of its obligations under, this Agreement has been duly and validly authorized by all necessary corporate action on the part of the Company, and this Agreement has been duly executed and delivered by the Company.

(xiv) Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated (except such additional steps as may be required by the Commission, the National Association of Securities Dealers, Inc. (the "NASD") or such additional steps as may be necessary to qualify the Shares for public offering by the Underwriters under state securities or Blue Sky laws) has been obtained or made and is in full force and effect.

(xv) Each of the Company and the Subsidiaries holds, has obtained or meets the requirements for all material licenses, certificates and permits, consents, orders, approvals and other authorizations from governmental authorities which are necessary to the conduct of their businesses and has made all declarations and filings with, all federal, state, local and other governmental authorities (including foreign regulatory agencies), all self-regulatory organizations and all courts and other tribunals, domestic or foreign, necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as conducted as of the date hereof, except where the lack thereof would not have a Material Adverse Effect, and neither the Company nor any such subsidiary has received any actual written notice of any proceeding relating to revocation or modification of any such material license, permit, certificate, consent, order, approval or other authorization that would materially interfere with its ownership or lease, as the case may be, or the operation of its properties or the carrying on of its business as conducted on the date hereof, except as described in the Registration Statement and the Prospectus; and each of the Company and its subsidiaries is in material compliance with all laws and regulations relating to the conduct of its business as conducted as of the date hereof, except where such noncompliance would not have a Material Adverse Effect.

(xvi) Neither the Company, nor to the Company's knowledge, any of its affiliates, has taken or may take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares.

(xvii) Neither the Company nor any Subsidiary is an "investment company" or an entity "controlled" by an "investment company" within the meaning of such terms under the Investment Company Act of 1940, (as amended, the "1940 ACT") and the rules and regulations of the Commission thereunder.

(xviii) The Company and each of its Subsidiaries maintains a system of internal accounting controls sufficient to provide reasonable assurances that in all material respects (i)

transactions are executed in accordance with management's general or specific

authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xix) The Company and each of its Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks relative to the conduct of their respective businesses as currently conducted and the value of their respective properties and as is reasonable and customary for companies engaged in similar businesses.

(xx) There are no existing or, to the best knowledge of the Company, threatened labor disputes with the employees of the Company or any of the Subsidiaries which are likely to have a Material Adverse Effect.

(xxi) Except as described in the Registration Statement or any of the documents incorporated by reference therein, the Company and each of its Subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("ENVIRONMENTAL LAWS"), (ii) have received or meets the requirements for all material permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, have a Material Adverse Effect. Except as described in the Registration Statement or any of the documents incorporated by reference therein, there are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any of its Subsidiaries under any Environmental Law which, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(xxii) In the ordinary course of its business, the Company reviews of the effect of Environmental Laws on the business, operations and properties of the Company and each of its subsidiaries, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). Except as described in the Registration Statement or any of the documents incorporated by reference therein, on the basis of such review, the Company has reasonably concluded that such

associated costs and liabilities would not, singly or in the aggregate, have a Material Adverse Effect.

(b) Each of the Selling Shareholders severally represents and warrants as follows:

(i) Such Selling Shareholder now has and at the Closing Date and the Option Closing Date, as the case may be (as such dates are hereinafter defined) will have good and marketable title to the Firm Shares and the Option Shares to be sold by such Selling Shareholder, free and clear of any liens, encumbrances, equities and claims, and full right, power and authority to effect the sale and delivery of such Firm Shares and Option Shares; and upon the delivery of, against payment for, such Firm Shares and Option Shares pursuant to this Agreement, the Underwriters will acquire good and marketable title thereto, free and clear of any liens, encumbrances, equities and claims.

(ii) Such Selling Shareholder has full right, power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement. The execution and delivery of this Agreement and the consummation by such Selling Shareholder of the transactions herein contemplated and the fulfillment by such Selling Shareholder of the terms hereof will not require any consent, approval, authorization, or other order of any court, regulatory body, administrative agency or other governmental body (except as may be required

under the Act, state securities laws or Blue Sky laws) and will not result in a breach of any of the terms and provisions of, or constitute a default under, organizational documents of such Selling Shareholder, or any indenture, mortgage, deed of trust or other agreement or instrument to which such Selling Shareholder is a party, or of any order, rule or regulation applicable to such Selling Shareholder of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction.

(iii) Such Selling Shareholder has not taken and will not take, directly or indirectly, any action designed to, or which has constituted, or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of the Common Stock of the Company and, other than as permitted by the Act, such Selling Shareholder will not distribute any prospectus or other offering material in connection with the offering of the Shares.

(iv) Without having undertaken to determine independently the accuracy or completeness of either the representations and warranties of the Company contained herein or the information contained in the Registration Statement, such Selling Shareholder has no reason to believe that the representations and warranties of the Company contained in this Section 1 are not true and correct, is familiar with the Registration Statement and has no knowledge of any material fact, condition or information not disclosed in the Registration Statement which has adversely affected or may adversely affect the business of the Company or any of the Subsidiaries; and the sale of the Firm Shares and the Option Shares by such Selling Shareholder pursuant hereto is not prompted by any information concerning the Company or any of the Subsidiaries which is not set

forth in the Registration Statement or the documents incorporated by reference therein. The information pertaining to such Selling Shareholder under the caption "Selling Shareholders" in the Prospectus is complete and accurate in all material respects.

2. PURCHASE, SALE AND DELIVERY OF THE FIRM SHARES.

(a) On the basis of the representations, warranties and covenants herein contained, and subject to the conditions herein set forth, the Selling Shareholders agree to sell to the Underwriters and each Underwriter agrees, severally and not jointly, to purchase, at a net purchase price of $_____ per share (representing the public offering price of $___ per share less underwriting discounts and commissions of $___ per share), the number of Firm Shares set forth opposite the name of each Underwriter in Schedule I hereof, subject to adjustments in accordance with Section 9 hereof. The number of Firm Shares to be purchased by each Underwriter from each Seller shall be as nearly as practicable in the same proportion to the total number of Firm Shares being sold by each Seller as the number of Firm Shares being purchased by each Underwriter bears to the total number of Firm Shares to be sold hereunder. The obligations of each of the Selling Shareholders shall be several and not joint.

(b) Payment for the Firm Shares to be sold hereunder is to be made in Federal (same day) funds to an account designated by each Selling Shareholder for the shares to be sold by such Selling Shareholder, in each case against delivery of the Firm Shares therefor to the Representatives for the several accounts of the Underwriters. Such payment and delivery are to be made through the facilities of The Depository Trust Company, New York New York ("DTC") at 10:00 a.m., New York time, on the third business day after the date of this Agreement or at such other time and date not later than five business days thereafter as you and the Company shall agree upon, such time and date being herein referred to as the "Closing Date." (As used herein, "business day" means a day on which the New York Stock Exchange is open for trading and on which banks in New York are open for business and not permitted by law or executive order to be closed.)

(c) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Option Selling Shareholder hereby grants an option to the several Underwriters to purchase the Option Shares at the price per share as set forth in the first paragraph of this Section 2. No Option Shares shall be sold or delivered by the Underwriters unless the Firm Shares previously have been, or simultaneously with the Option Shares are, sold and delivered. The option granted hereby may be exercised in whole or in part by giving written notice (i) at any time before

the Closing Date and (ii) only once thereafter within 30 days after the date of this Agreement, by you, as Representatives of the several Underwriters, to the Selling Shareholders and the Company setting forth the number of Option Shares as to which the several Underwriters are exercising the option and the time and date at which such Option Shares are to be delivered. The time and date at which the Option Shares are to be delivered shall be determined by the Representatives but shall not be later than three full business days after written notice of the exercise of such option, nor in any event prior

to the Closing Date (such time and date being herein referred to as the "Option Closing Date"). If the date of exercise of the option is three or more days before the Closing Date, the notice of exercise shall set the Closing Date as the Option Closing Date. The number of Option Shares to be purchased by each Underwriter shall be in the same proportion to the total number of Option Shares being purchased as the number of Firm Shares being purchased by such Underwriter bears to the total number of Firm Shares, adjusted by you in such manner as to avoid fractional shares. The option with respect to the Option Shares granted hereunder may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters. You, as Representatives of the several Underwriters, may cancel such option at any time prior to its expiration by giving written notice of such cancellation to the Selling Shareholders and the Company. To the extent, if any, that the option is exercised, payment for the Option Shares shall be made on the Option Closing Date in Federal (same day) funds to an account designated by the Option Selling Shareholder for the Option Shares to be sold by the Option Selling Shareholder against delivery of the Option Shares through the facilities of DTC.

3. OFFERING BY THE UNDERWRITERS.

It is understood that the several Underwriters are to make a public offering of the Firm Shares as soon as the Representatives deem it advisable to do so. The Firm Shares are to be initially offered to the public at the public offering price set forth in the Prospectus. The Representatives may from time to time thereafter change the public offering price and other selling terms. To the extent, if at all, that any Option Shares are purchased pursuant to Section 2 hereof, the Underwriters will offer them to the public on the foregoing terms.

It is further understood that you will act as the Representatives for the Underwriters in the offering and sale of the Shares in accordance with a Master Agreement Among Underwriters entered into by you and the several other Underwriters.

4. COVENANTS OF THE COMPANY AND THE SELLING SHAREHOLDERS.

(a) The Company covenants and agrees with the several Underwriters with respect to (i) through (x) below, and with the Selling Shareholders with respect to (i) through (v) only that:

(i) The Company will (A) use its best efforts to cause the Registration Statement to become effective or, if the procedure in Rule 430A of the Rules and Regulations is followed, to prepare and timely file with the Commission under Rule 424(b) of the Rules and Regulations a Prospectus in a form approved by the Representatives containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A of the Rules and Regulations, and (B) not file any amendment to the Registration Statement or supplement to the Prospectus or document incorporated by reference therein of which the Representatives or the Selling Shareholders shall not previously have been advised and furnished with a copy or to which the Representatives or the Selling Shareholders shall have reasonably

objected in writing or which is not in compliance with the Rules and Regulations and (C) file on a timely basis all reports and any definitive proxy or information statements required to be filed by the Company with the Commission subsequent to the date of the Prospectus and prior to the termination of the offering of the Shares by the Underwriters.

(ii) The Company will advise the Representatives and the Selling Shareholders promptly of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of

the Prospectus or of the institution of any proceedings for that purpose. The Company will use its best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(iii) The Company will cooperate with the Representatives and the Selling Shareholders in endeavoring to qualify the Shares for sale under the securities laws of such jurisdictions as the Representatives may reasonably have designated in writing and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representatives may reasonably request for distribution of the Shares.

(iv) The Company will deliver to, or upon the order of, the Representatives, from time to time, as many copies of any Preliminary Prospectus as the Representatives may reasonably request. The Company will deliver to, or upon the order of, the Representatives during the period when delivery of a Prospectus is required under the Act, as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representatives may reasonably request. The Company will deliver to each Selling Shareholder one copy of the Registration Statement including all exhibits filed therein and to the Representatives such number of copies of the Registration Statement, one of which will be signed and will include all exhibits filed therewith, and documents incorporated by reference therein, and of all amendments thereto, as the Representatives may reasonably request.

(v) Within the time during which a prospectus relating to the Shares is required to be delivered under the Act, the Company will comply with the Act and the Rules and Regulations, and the Exchange Act, and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Underwriters or the Selling Shareholders, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the

circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will either (i) prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus or (ii) prepare and file with the Commission an appropriate filing under the Exchange Act which shall be incorporated by reference in the Prospectus so that the Prospectus as so amended or supplemented will not, in the light of the circumstances when it is so delivered, be misleading, or so that the Prospectus will comply with the law.

(vi) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earning statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earnings statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 of the Rules and Regulations and will advise you in writing when such statement has been so made available.

(vii) The Company shall not (a) issue, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC any registration statement relating to, any additional shares of its common stock or securities convertible into or exchangeable or exercisable for any shares of its common stock, enter into a transaction which would have the same effect or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, or (b) grant any options whatsoever in respect of its shares, except grants of employee stock options pursuant to the terms of a plan in effect on the date of this Agreement, in each case for a period of 90 days after the date of this Agreement, without the prior written consent of the Representatives. The foregoing restrictions shall not apply to any registration

statement, or any shares issued thereunder, relating to the Company's proposed acquisition of Pennichuck Corporation, the issuance by the Company of up to 150,000 Shares under the Company's shelf registration statements or the issuance of shares under the Company's Dividend Reinvestment and Direct Stock Purchase Plan.

(viii) The Company has caused each executive officer and director of the Company to furnish to you, on or prior to the date of this agreement, a letter or letters, in form and substance satisfactory to the Underwriters ("LOCKUP AGREEMENTS"), pursuant to which each such person shall agree not to offer, sell, sell short or otherwise dispose of, directly or indirectly, any shares of Common Stock of the Company or other capital stock of the Company, or any other securities convertible, exchangeable or exercisable for Common Shares or derivative of Common Shares owned by such person or request the registration for the offer or sale of any of the foregoing (or as to which such person has the right to direct the disposition of) for a period of 90 days after the date of this Agreement, directly or indirectly, except with the prior written consent of the Representatives.

(ix) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(x) The Company will not take, directly or indirectly, any action designed to cause or result in, or that constitutes or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

(b) Each of the Selling Shareholders covenants and agrees with each of the several Underwriters that:

(i) Each Selling Shareholder shall not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any additional shares of the Company's common stock or securities convertible into or exchangeable or exercisable for any shares of the Company's common stock, enter into a transaction which would have the same effect or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing for a period of 90 days after the date of this Agreement, without the prior written consent of the Representatives. The foregoing restrictions shall not apply to the proposed purchase by the Company of 2,500,000 shares from the Selling Shareholders, as described in the Registration and Share Purchase Agreement between the Company and the Selling Shareholders.

(ii) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 and the Interest and Dividend Tax Compliance Act of 1983 with respect to the transactions herein contemplated, each of the Selling Shareholders agrees to deliver to you prior to or at the Closing Date a properly completed and executed United States Treasury Department Form W-8 or W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

(iii) Such Selling Shareholder will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

5. COSTS AND EXPENSES.

The parties agree that the Underwriters shall not be responsible for the following expenses (1) accounting fees of the Company; (2) the fees and disbursements of counsel for the Company and the Selling Shareholders; (3) the cost of printing and delivering to, or as requested by, the Underwriters copies of the Registration Statement, Preliminary Prospectuses and the Prospectus, and any supplements or amendments thereto; (4) the filing fees of the Commission; (5) the filing fees and expenses (including legal fees and disbursements) incident to securing any required review by the NASD of the terms of the sale of the Shares; (6) and the expenses, including the fees and disbursements of counsel for the Underwriters, incurred in connection with the qualification of the Shares under State securities or Blue Sky laws. Nothing herein, however, shall

prevent the Company and the Selling Shareholders from apportioning such costs among themselves under separate agreements. To the extent, if at all, that any of the Selling Shareholders engage special legal counsel to represent them in connection with this offering, the fees and expenses of such counsel shall be borne by such Selling Shareholder. Any transfer taxes imposed on the sale of the Shares to the several Underwriters will be paid by the Selling Shareholders pro rata. The Company and the Selling Shareholders shall not, however, be required to pay for any of the Underwriters' expenses (other than those related to qualification under NASD regulation and State securities or Blue Sky laws) except that, if this Agreement shall not be consummated because the conditions in Section 6 hereof are not satisfied, or because this Agreement is terminated by the Representatives pursuant to Section 11 hereof, or by reason of any failure, refusal or inability on the part of the Company or the Selling Shareholders to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on their part to be performed, unless such failure, refusal or inability is due primarily to the default or omission of any Underwriter, the Selling Shareholders shall reimburse the several Underwriters for reasonable out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred in connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder; but the Company and the Selling Shareholders shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares.

6. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS.

The several obligations of the Underwriters to purchase the Firm Shares on the Closing Date and the Option Shares, if any, on the Option Closing Date are subject to the accuracy, as of the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties of the Company and the Selling Shareholders contained herein, and to the performance by the Company and the Selling Shareholders of their covenants and obligations hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective and any and all filings required by Rule 424 and Rule 430A of the Act shall have been made within the applicable time period prescribed by, and in compliance with, the Rules and Regulations, and any request of the Commission for additional information (to be included in the Registration Statement or otherwise) shall have been disclosed to the Representatives and complied with to their reasonable satisfaction. No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company or the Selling Shareholders, shall be contemplated or threatened by the Commission and no injunction, restraining order or order of any nature by a Federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance of the Shares.

(b) The Representatives and the Selling Shareholders shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinions of Morgan, Lewis & Bockius LLP ("MORGAN LEWIS"), counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) and the Selling Shareholders to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; each of Pennsylvania Suburban Water Company ("PSWC") and Consumers Water Company ("CWC") has been duly organized and is validly existing as a corporation in good standing under the laws of the Commonwealth of Pennsylvania, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; the Company is duly qualified to transact business in all jurisdictions in which the conduct of its business requires such qualification, or in which the failure to qualify would have a materially adverse effect upon the business of the Company and the Subsidiaries

taken as a whole; and the outstanding shares of capital stock of each of PSWC and CWC have been duly authorized and validly issued and are fully paid and non-assessable and are owned by the Company; and, to the best of such counsel's knowledge, the outstanding shares of capital stock of each of PSWC and CWC is owned free and clear of all liens, encumbrances and equities and claims.

(ii) The authorized shares of the Company's Common Stock have been duly authorized; the outstanding shares of the Company's Common Stock, including the Shares to be sold by the Selling Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable; all of the Shares conform in all material respects as to legal matters to the description thereof contained in the Prospectus; the certificates for the Shares, assuming they are in the form filed with the Commission; conform to the requirements of the Pennsylvania Business Corporation Law of 1988, as amended (the "PBCL"); and no preemptive rights of shareholders exist with respect to any of the Shares or the issue or sale thereof arising under the Company's Charter, By-laws or the PBCL.

(iii) Based upon the oral advice of a member of the Staff of the Commission, the Registration Statement has become effective under the Act and, to the best of the knowledge of such counsel, no stop order proceedings with respect thereto have been instituted or are pending or threatened under the Act.

(iv) The Registration Statement, as of the date it became effective, the Prospectus and each amendment or supplement thereto and document incorporated by reference therein, as of each of their respect dates, comply as to form in all material respects with the requirements of the Act or the Exchange Act as applicable and the applicable rules and regulations

thereunder (except that such counsel need express no opinion as to the financial statements and related schedules incorporated by reference therein).

(v) The statements under the captions "Recent Developments -- Pennichuck Acquisition" and "Relationship with Vivendi Environnment S.A. -- Agreement to Repurchase Shares and Financing Plan" in the Prospectus, insofar as such statements constitute a summary of documents referred to therein or matters of law, fairly summarize in all material respects the information called for with respect to such documents and matters.

(vi) Such counsel does not know of any contracts or documents required to be filed as exhibits to or incorporated by reference in the Registration Statement or described in the Registration Statement or the Prospectus which are not so filed, incorporated by reference or described as required, and to counsel's knowledge, such contracts and documents as are summarized in the Registration Statement or the Prospectus are fairly summarized in all material respects.

(vii) Such counsel knows of no material legal or governmental proceedings pending or threatened against the Company or any of the Subsidiaries except as set forth in the Prospectus.

(viii) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not violate or result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or By-Laws of the Company, or any material indenture, mortgage, deed of trust or other material agreement or instrument to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries may be bound and which is known to such counsel.

(ix) This Agreement has been duly authorized, executed and delivered by the Company.

(x) No approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other than as may be required by the NASD or as required by State securities and Blue Sky laws as to which such counsel need express no opinion) except such as have been obtained or made, specifying the same.

(xi) The Company is not an "investment company" or an entity

"controlled" by an "investment company" within the meaning of such terms under the 1940 Act and the rules and regulations of the Commission thereunder.

In rendering such opinion Morgan Lewis may rely as to matters governed by the laws of states other than Pennsylvania, New York or Federal laws on local counsel in such jurisdictions, provided that in each case Morgan Lewis shall state that they believe that they and the Underwriters are justified in relying on such other counsel. In addition to the matters set forth above, the Underwriters shall receive a statement from such counsel to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, at the time it became effective under the Act (including the information deemed to be a part of the Registration Statement at the time it became effective pursuant to Rule 430A under the Act), as of the date hereof and as of the Closing Date or the Option Closing Date, as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein), and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Morgan Lewis may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(c) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinions of Roy H. Stahl, Esq., Executive Vice President - General Counsel for the Company, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Pennsylvania, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; each of the Subsidiaries has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; the Company and each of the Subsidiaries are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification, or in which the failure to qualify would have a Materially Adverse Effect; and the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable and are owned by the Company or a Subsidiary; and, to the best of such counsel's knowledge, the outstanding shares of capital stock of each of the Subsidiaries is owned free and clear of all liens, encumbrances and equities and claims, and no options, warrants or other rights to purchase,

agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock or of ownership interests in the Subsidiaries are outstanding.

(ii) Except as described in or contemplated by the Prospectus or the documents incorporated by reference therein, there are no outstanding securities of the Company convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of capital stock of the Company and there are no outstanding or authorized options, warrants or rights of any character obligating the Company to issue any shares of its capital stock or any securities convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of such stock; and except as described in the Prospectus or the documents incorporated by reference therein, no holder of any securities of the Company or any other person has the right, contractual or otherwise, which has not been satisfied or effectively waived, to cause the

Company to sell or otherwise issue to them, or to permit them to underwrite the sale of, any of the Shares or the right to have any Common Shares or other securities of the Company included in the Registration Statement or the right, as a result of the filing of the Registration Statement, to require registration under the Act of any shares of Common Stock or other securities of the Company.

(iii) Each of the Company and the Subsidiaries owns, possesses, has obtained or meets the requirements for all licenses, permits, certificates, consents, orders, approvals and other authorizations from, and has made all declarations and filings with, all federal, state, local and other governmental authorities (including foreign regulatory agencies), all self-regulatory organizations and all courts and other tribunals, domestic or foreign, necessary to own or lease, as the case may be, and to operate its properties and to carry on its business as conducted as of the date hereof except where the lack thereof would not have a Material Adverse Effect, and neither the Company nor any such Subsidiary has received any actual written notice of any proceeding relating to revocation or modification of any such license, permit, certificate, consent, order, approval or other authorization that would materially interfere with its ownership or lease, as the case may be, or the operation of its properties or the carrying on of its business as conducted on the date hereof, except as described in the Registration Statement and the Prospectus; and to the best of his knowledge, each of the Company and the Subsidiaries is in material compliance with all laws and regulations relating to the conduct of its business as conducted as of the date of the Prospectus except where such noncompliance would not have a Material Adverse Effect.

(d) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinion of Cleary, Gottlieb, Steen & Hamilton ("CLEARY GOTTLIEB"), counsel for the Selling Shareholders, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) to the effect that:

(i) This Agreement has been duly authorized, executed and delivered on behalf of the Selling Shareholders and is a valid and binding agreement of each Selling Shareholder.

(ii) Each Selling Shareholder has full legal right, power and authority, and any approval required by law (other than as required by State securities and Blue Sky laws as to which such counsel need express no opinion), to sell, assign, transfer and deliver the portion of the Shares to be sold by such Selling Shareholder.

(iii) Assuming that (a) DTC is a "clearing corporation" as defined in Section 8-102(a)(5) of the Uniform Commercial Code (the "UCC"), and (b) each of the Underwriters acquires its interest in the Shares it has purchased without notice of any adverse claim (within the meaning of Section 8-105 of the UCC), each Underwriter that has purchased Shares from the Selling Shareholders, made payment therefor pursuant to this Agreement and has had such Shares credited to a securities account of such Underwriter maintained with DTC will have acquired a securities entitlement (within the meaning of Section 8-102(a)(17) of the UCC) to such Shares, and no action based on an adverse claim may be asserted against such Underwriter with respect to such security entitlement.

In rendering such opinion, Cleary Gottlieb may rely as to matters governed by the laws of states other than New York or Federal laws on local counsel in such jurisdictions, provided that in each case Cleary Gottlieb shall state that they believe that they and the Underwriters are justified in relying on such other counsel.

(e) The Representatives shall have received from Davis Polk & Wardwell ("DAVIS POLK"), counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, substantially to the effect specified in subparagraph (x) of Paragraph (b) of this Section 6 and subparagraph (i) of Paragraph (d) of this Section 6. In rendering such opinion Davis Polk may rely as to all matters governed other than by the laws of the State of New York or Federal laws on the opinion of counsel referred to in Paragraph (b) of this Section 6. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come

to the attention of such counsel which leads them to believe that (i) the Registration Statement, or any amendment thereto, as of the time it became effective under the Act (including the information deemed to be a part of the Registration Statement at the time it became effective pursuant to Rule 430A under the Act) as of the Closing Date or the Option Closing Date, as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact, necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Davis Polk may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(f) You shall have received, on each of the date hereof, the Closing Date and, if applicable, the Option Closing Date, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to you, of PricewaterhouseCoopers LLP confirming that they are independent public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder and stating that in their opinion the financial statements and schedules examined by them and included in the Registration Statement comply in form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations; and containing such other statements and information as is ordinarily included in accountants' "comfort letters" to Underwriters with respect to the financial statements and certain financial and statistical information contained in the Registration Statement and Prospectus. You shall also have received, on each of the date hereof, the Closing Date and, if applicable, the Option Closing Date, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to you, of KMPG with regard to certain financial information for fiscal year 1999.

(g) The Representatives and the Selling Shareholders shall have received on the Closing Date and, if applicable, the Option Closing Date, as the case may be, a certificate or certificates of Nicholas DeBenedictis, President and Chairman of the Company, and David Smeltzer, Chief Financial Officer of the Company, solely in their respective capacities as such, to the effect that, as of the Closing Date or the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) The Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registration Statement has been issued, and, to his knowledge after due inquiry, no proceedings for such purpose have been taken or are, to his knowledge, contemplated or threatened by the Commission;

(ii) The representations and warranties of the Company contained in Section 1 hereof are true and correct as of the Closing Date or the Option Closing Date, as the case may be;

(iii) All filings required to have been made pursuant to Rules 424 or 430A under the Act have been made as and when required by such rules;

(iv) He has carefully examined the Registration Statement and the Prospectus and, in his opinion, as of the effective date of the Registration Statement, the statements contained in the Registration Statement were true and correct, and such Registration Statement and Prospectus did not omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and since the effective date of the Registration Statement, no event has occurred which

should have been set forth in a supplement to or an amendment of the Prospectus which has not been so set forth in such supplement or amendment; and

(v) Since the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been any change or any development that has had or will have a Material Adverse Effect.

(h) The Company and the Selling Shareholders shall have furnished to the Representatives such further certificates and documents confirming the representations and warranties, covenants and conditions contained herein and related matters as the Representatives my reasonably have requested.

(i) The Lockup Agreements described in Section 4(a)(viii) are in full force and effect.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Representatives and to Davis Polk, counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representatives by notifying the Company and the Selling Shareholders of such termination in writing or by telegram at or prior to the Closing Date or the Option Closing Date, as the case may be.

In such event, the Selling Shareholders, the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 8 hereof).

7. CONDITIONS OF THE OBLIGATIONS OF THE SELLING SHAREHOLDERS.

The obligations of the Selling Shareholders to sell and deliver the portion of the Shares required to be delivered as and when specified in this Agreement are subject to the conditions that at the Closing Date or the Option Closing Date, as the case may be, no stop order suspending the effectiveness of the Registration Statement shall have been issued and in effect or proceedings therefor initiated or threatened and the Selling Shareholders shall have been furnished the opinion described in Section 6(b) and the certificate described in Section 6(g).

8. INDEMNIFICATION.

(a) The Company agrees:

(1) to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which such Underwriter or any such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives or the Selling Shareholders specifically for use in the preparation thereof; and

(2) to reimburse each Underwriter and each such controlling person upon demand for any legal or other out-of-pocket expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any action or proceeding. In the event that it is finally judicially determined that the Underwriters were not entitled to receive payments for legal and other expenses pursuant to this subparagraph, the Underwriters will promptly return all sums that had been advanced pursuant hereto.

(b) The Selling Shareholders agree to indemnify the Underwriters and each person, if any, who controls any Underwriter within the meaning of Section 15 of the Act or Section 20 of the Exchange Act, against any losses, claims, damages or liabilities to which such Underwriter or controlling person may become subject under the Act or otherwise to the same extent as indemnity is provided by the Company pursuant to Section 8(a) above; provided, however, that each Selling Shareholders' indemnity obligation shall be limited to losses, claims, damages or liabilities arising out of or based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through such Selling Shareholder specifically for use in the preparation thereof. In no event shall the liability of any Selling Shareholder for indemnification under Section 8(a) exceed the proceeds received by such Selling Shareholder from the Underwriters in the offering. This indemnity obligation will be in addition to any liability which the Company may otherwise have.

(c) Each Underwriter severally and not jointly will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement, the Selling Shareholders, and each person, if any, who controls the Company or the Selling Shareholders within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer, Selling Shareholder or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, Selling Shareholder or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Section 8, such person (the "INDEMNIFIED PARTY") shall promptly notify the person against whom such indemnity may be sought (the "INDEMNIFYING PARTY") in writing. No indemnification provided for in Section 8(a), (b) or (c) shall be available to any party who shall fail to give notice as provided in this Section 8(d) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of the provisions of Section 8(a), (b) or (c). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party

of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party and shall pay as incurred the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay as incurred (or within 30 days of presentation) the fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties)

include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) the indemnifying party shall have failed to assume the defense and employ counsel acceptable to the indemnified party within a reasonable period of time after notice of commencement of the action. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm for all such indemnified parties. Such firm shall be designated in writing by you in the case of parties indemnified pursuant to Section 8(a) or (b) and by the Company and the Selling Shareholders in the case of parties indemnified pursuant to Section 8(c). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, the indemnifying party will not, without the prior written consent of the indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding of which indemnification may be sought hereunder (whether or not any indemnified party is an actual or potential party to such claim, action or proceeding) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action or proceeding.

(e) To the extent the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Shareholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Shareholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Shareholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus; provided however, that nothing herein shall be construed to prevent the Company and the Selling Shareholders from allocating any such losses, claims, damages or liabilities among themselves pursuant to a separate agreement between such parties. 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 relates to information supplied by the Company or the Selling Shareholders on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 8(e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter, (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation, and (iii) no Selling Shareholder shall be required to contribute any amount in excess of the proceeds received by such Selling Shareholder from the Underwriters in the offering. The Underwriters' obligations in this Section 8(e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 8 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join it as an additional defendant in any such proceeding in which such other contributing party is a party.

(g) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred. The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, and (iii) any termination of this Agreement. A successor to any Underwriter, or any person controlling any Underwriter, or to the Company, its directors or officers, or any person

controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

9. DEFAULT BY UNDERWRITERS.

If on the Closing Date or the Option Closing Date, as the case may be, any Underwriter shall fail to purchase and pay for the portion of the Shares which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company or a Selling Shareholder), you, as Representatives of the Underwriters, shall use your reasonable efforts to procure within 36 hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company and the Selling Shareholders such amounts as may be agreed upon and upon the terms set forth herein, the Shares which the defaulting Underwriter or Underwriters failed to purchase. If during such 36 hours you, as such Representatives, shall not have

procured such other Underwriters, or any others, to purchase the Shares agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of shares with respect to which such default shall occur does not exceed 10% of the Shares to be purchased on the Closing Date or the Option Closing date, as the case may be, the other Underwriters shall be obligated, severally, in proportion to the respective numbers of Shares which they are obligated to purchase hereunder, to purchase the Shares which such defaulting Underwriter or Underwriters failed to purchase, or (b) if the aggregate number of shares of Shares with respect to which such default shall occur exceeds 10% of the Shares to be purchased on the Closing Date or the Option Closing Date, as the case may be, the Company and the Selling Shareholders or you as Representatives will have the right, by written notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company or of the Selling Shareholders except to the extent provided in Sections 5 and 8 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 9, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven days, as the Company or you, as Representatives, may determine in order that the required changes in the Registration Statement or in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any person substituted for a defaulting Underwriter. Any action taken under this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. NOTICES.

All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered, telecopied or telegraphed and confirmed as follows: if to the Underwriters, to Deutsche Bank Securities Inc., One South Street, Baltimore, Maryland 21202; Attention: Syndicate Manager, with a copy to Deutsche Bank Securities Inc., 31 West 52nd Street, New York, New York 10019, Attention: General Counsel.

To the Company:

Philadelphia Suburban Corporation
762 W. Lancaster Avenue
Bryn Mawr, PA 19010
Attention: Roy H. Stahl, Esq.
Executive Vice President and General Counsel
Fax: 610.645.1061

with a copy to:

Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
Attention: Stephen A. Jannetta, Esq.
Fax: 215.963.5299

To the Selling Shareholders:

Vivendi Water S.A.
52, rue d'Anjou
75008 Paris
France
Attention: Olivier Grunberg
Fax: (+33.1) 49.24.69.11

Vivendi North America Company
60 East 42nd Street, 36th Floor
New York, NY 10165
Attention: Jerome Contamine
Fax: (+33.1) 71.75.10.09

with a copy to:

Cleary, Gottlieb, Steen & Hamilton
41, avenue de Friedland

75008 Paris
France
Attention: Andrew A. Bernstein, Esq.

Fax: (+33.1) 45.63.66.37

11. TERMINATION.

This Agreement may be terminated by you, as Representatives, by written notice to the Company and the Selling Shareholders (a) at any time prior to the Closing Date or any Option Closing Date (if different from the Closing Date and then only as to Option Shares) if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development occurs that has had a Material Adverse Effect (ii) any outbreak or escalation of hostilities or declaration of war or national emergency or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your reasonable judgment, make it impracticable or inadvisable to market the Shares or to enforce contracts for the sale of the Shares, or (iii) suspension of trading in securities generally on the New York Stock Exchange, the American Stock Exchange or the Nasdaq National Market or limitation on prices (other than limitations on hours or numbers of days of trading) for securities on either such Exchange, (iv) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which in your reasonable opinion would create a Material Adverse Effect (v) the declaration of a banking moratorium by United States or New York State authorities, (vi) any downgrading, or placement on any watch list for possible downgrading, in the rating of any of the Company's debt securities by any "nationally recognized statistical rating organization" (as defined for purposes of Rule 436(g) under the Exchange Act); (vii) the suspension of trading of the Company's common stock by the New York Stock Exchange, the Commission, or any other governmental authority or, (viii) the taking of any action by any governmental body or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the securities markets in the United States; or

(b) as provided in Sections 6 and 9 of this Agreement.

Any such termination shall be without liability of any party to any other party except that the provisions of Section 5 and 8 hereof shall at all times be effective.

12. SUCCESSORS.

This Agreement has been and is made solely for the benefit of the Underwriters, the Company and the Selling Shareholders and their respective successors, executors, administrators, heirs and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign merely because of such purchase.

13. INFORMATION PROVIDED BY UNDERWRITERS AND SELLING SHAREHOLDERS.

The Company, the Selling Shareholders and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Underwriter to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth under the caption "Underwriting" in the Prospectus. The Company, the Selling Shareholders and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Selling Shareholder to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth under the captions "Selling Shareholders" and "Relationship with Vivendi

Environnement S.A. -- General" in the Prospectus.

14. MISCELLANEOUS.

The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any Underwriter or controlling person thereof, or by or on behalf of the Company or its directors or officers and (c) delivery of and payment for the Shares under this Agreement.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York.

15. SUBMISSION TO JURISDICTION

Except as set forth below, no claim arising out of or in any way relating to this Agreement may be commenced, prosecuted or continued in any court other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, which courts shall have jurisdiction over the adjudication of such matters, and each of the Company and the Selling Shareholders consents to the jurisdiction of such courts and personal service with respect thereto. Each of the Company and the Selling Shareholders hereby consents to personal jurisdiction, service and venue in any court in which any claim arising out of or in any way relating to this Agreement is brought by any third party against UBS Warburg LLC, Deutsche Bank Securities Inc. or any indemnified party. Each of UBS Warburg LLC, Deutsche Bank Securities Inc., the Company (on its behalf and, to the extent permitted by applicable law, on behalf of its shareholders and affiliates) and the Selling Shareholders waives all right to trial by jury in any action, proceeding or counterclaim (whether based upon contract, tort or otherwise) in any way arising out of or relating to this Agreement. Each of the Company and Selling Shareholders agrees that a final judgment in any such action, proceeding or counterclaim brought in any such court shall be conclusive and binding upon the Company or such Selling Shareholder and may be enforced in any other courts in the jurisdiction of which the Company or such Selling Shareholder is or may be subject, by suit upon such judgment.

* * *

If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Selling Shareholders, the Company and the several Underwriters in accordance with its terms.

Any person executing and delivering this Agreement as Attorney-in-Fact for a Selling Shareholder represents by so doing that he has been duly appointed as Attorney-in-Fact by such Selling Shareholder pursuant to a validly existing and binding Power of Attorney which authorizes such Attorney-in-Fact to take such action.

Very truly yours,

PHILADELPHIA SUBURBAN CORPORATION

By:_____
Title:

Selling Shareholders listed on Schedule II

By:_____
Attorney-in-Fact

The foregoing Underwriting Agreement
is hereby confirmed and accepted as
of the date first above written.

DEUTSCHE BANK SECURITIES INC.
UBS WARBURG LLC

As Representatives of the several
Underwriters listed on Schedule I

By: Deutsche Bank Securities Inc.

By: _____
Authorized Officer

By: _____
Authorized Officer

By: UBS Warburg LLC

By: _____
Authorized Officer

By: _____
Authorized Officer

SCHEDULE I

SCHEDULE OF UNDERWRITERS

Underwriter	Number of Firm Shares to be Purchased
Deutsche Bank Securities Inc.	
UBS Warburg LLC	
Total	

SCHEDULE II

SCHEDULE OF SELLING SHAREHOLDERS

Selling Shareholder	Number of Firm Shares to be Sold

SCHEDULE III

SIGNIFICANT SUBSIDIARIES

Pennsylvania Suburban Water Company
Consumers Water Company

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in this Registration Statement on Form S-3 of our report dated February 1, 2002 relating to the consolidated financial statements as of December 31, 2001 and 2000 and for each of the two years in the period ended December 31, 2001, which appears in the 2001 Annual Report to Shareholders, which is incorporated by reference in Philadelphia Suburban Corporation's Annual Report on Form 10-K for the year ended December 31, 2001. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania
July 5, 2002

EXHIBIT 23.3

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Philadelphia Suburban Corporation:

We consent to the incorporation by reference in this Registration Statement on Form S-3 of Philadelphia Suburban Corporation of our report dated January 31, 2000, relating to the consolidated statements of income and comprehensive income and cash flow of Philadelphia Suburban Corporation and subsidiaries for the year ended December 31, 1999, which report is included in the December 31, 2001 annual report on Form 10-K of Philadelphia Suburban Corporation and to the reference to our firm under the heading "Experts" in the Registration Statement on Form S-3.

/s/ KPMG LLP

Philadelphia, Pennsylvania
July 5, 2002