

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2005

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission File Number 1-6659

AQUA AMERICA, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-1702594
(I.R.S. Employer
Identification No.)

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania

(Address of principal executive offices)

19010 -3489

(Zip Code)

Registrant's telephone number, including area code: (610)-527-8000

(Former Name, former address and former fiscal year,
if changed since last report.)

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

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 22, 2005.

96,136,189 .

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)

(UNAUDITED)

Assets	June 30, 2005	December 31, 2004
	-----	-----
Property, plant and equipment, at cost	\$ 2,719,989	\$ 2,626,151
Less accumulated depreciation	585,669	556,339
	-----	-----
Net property, plant and equipment	2,134,320	2,069,812
	-----	-----
Current assets:		
Cash and cash equivalents	5,365	13,116
Accounts receivable and unbilled revenues, net	64,701	64,538
Inventory, materials and supplies	7,928	6,903
Prepayments and other current assets	4,834	5,570
	-----	-----
Total current assets	82,828	90,127
	-----	-----
Regulatory assets	126,747	122,935
Deferred charges and other assets, net	53,091	52,120
Funds restricted for construction activity	70,643	17,196
	-----	-----
	\$ 2,467,629	\$ 2,352,190
	=====	=====
Liabilities and Stockholders' Equity		
Common stockholders' equity:		
Common stock at \$.50 par value, authorized 300,000,000 shares, issued 96,765,494 and 96,071,580 in 2005 and 2004	\$ 48,383	\$ 48,036
Capital in excess of par value	478,397	468,524
Retained earnings	261,323	245,115
Treasury stock, 669,399 and 686,747 shares in 2005 and 2004	(12,306)	(12,702)
Accumulated other comprehensive loss	(1,742)	(1,742)
Unearned compensation	(698)	--
	-----	-----
Total common stockholders' equity	773,357	747,231
	-----	-----
Minority interest	1,355	1,237
Long-term debt, excluding current portion	844,539	784,461
Commitments	--	--
Current liabilities:		
Current portion of long-term debt	45,186	50,195
Loans payable	113,690	85,115
Accounts payable	15,288	23,534
Accrued interest	12,889	12,029
Accrued taxes	6,889	8,975
Other accrued liabilities	36,679	37,534
	-----	-----
Total current liabilities	230,621	217,382
	-----	-----
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	225,578	223,887
Customers' advances for construction	74,395	73,095
Regulatory liabilities	12,329	11,942
Other	17,264	15,147
	-----	-----
Total deferred credits and other liabilities	329,566	324,071
	-----	-----
Contributions in aid of construction	288,191	277,808
	-----	-----
	\$ 2,467,629	\$ 2,352,190
	=====	=====

See notes to consolidated financial statements
beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

(UNAUDITED)

	Six Months Ended June 30,	
	2005	2004
Operating revenues	\$ 237,088	\$ 206,292
Costs and expenses:		
Operations and maintenance	98,200	86,314
Depreciation	29,312	27,180
Amortization	2,455	1,919
Taxes other than income taxes	15,757	13,962
	-----	-----
	145,724	129,375
	-----	-----
Operating income	91,364	76,917
Other expense (income):		
Interest expense, net	25,336	23,238
Allowance for funds used during construction	(1,064)	(1,333)
Gain on sale of other assets	(505)	(476)
	-----	-----
Income before income taxes	67,597	55,488
Provision for income taxes	26,508	22,042
	-----	-----
Net income	\$ 41,089	\$ 33,446
	=====	=====
Net income	\$ 41,089	\$ 33,446
Other comprehensive income (loss), net of tax:		
Unrealized gain on securities	--	59
Reclassification adjustment for gains reported in net income	--	(230)
	-----	-----
Comprehensive income	\$ 41,089	\$ 33,275
	=====	=====
Net income per common share:		
Basic	\$ 0.43	\$ 0.36
	=====	=====
Diluted	\$ 0.42	\$ 0.36
	=====	=====
Average common shares outstanding during the period:		
Basic	95,701	92,793
	=====	=====
Diluted	96,911	93,828
	=====	=====
Cash dividends declared per common share	\$ 0.26	\$ 0.24
	=====	=====

See notes to consolidated financial statements
beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended June 30,	
	2005	2004
Operating revenues	\$ 123,100	\$ 106,524
Costs and expenses:		
Operations and maintenance	50,891	44,483
Depreciation	14,629	13,506
Amortization	1,227	1,249
Taxes other than income taxes	7,760	6,813
	-----	-----
	74,507	66,051
	-----	-----
Operating income	48,593	40,473
Other expense (income):		
Interest expense, net	12,541	11,436
Allowance for funds used during construction	(700)	(724)
Gain on sale of other assets	(24)	(26)
	-----	-----
Income before income taxes	36,776	29,787
Provision for income taxes	14,558	11,916
	-----	-----
Net income	\$ 22,218	\$ 17,871
	=====	=====
Net income	\$ 22,218	\$ 17,871
Other comprehensive income, net of tax:		
Unrealized gain on securities	--	--
Reclassification adjustment for gains reported in net income	--	--
	-----	-----
Comprehensive income	\$ 22,218	\$ 17,871
	=====	=====
Net income per common share:		
Basic	\$ 0.23	\$ 0.19
	=====	=====
Diluted	\$ 0.23	\$ 0.19
	=====	=====
Average common shares outstanding during the period:		
Basic	95,889	92,899
	=====	=====
Diluted	97,123	93,848
	=====	=====
Cash dividends declared per common share	\$ 0.13	\$ 0.12
	=====	=====

See notes to consolidated financial statements
beginning on page 7 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	June 30, 2005	December 31, 2004
Common stockholders' equity:		
Common stock, \$.50 par value	\$ 48,383	\$ 48,036
Capital in excess of par value	478,397	468,524
Retained earnings	261,323	245,115
Treasury stock	(12,306)	(12,702)
Accumulated other comprehensive loss	(1,742)	(1,742)
Unearned compensation	(698)	-
Total common stockholders' equity	773,357	747,231
Long-term debt:		
Long-term debt of subsidiaries (substantially secured by utility plant):		
Interest Rate Range		
0.00% to 2.49%	19,757	20,051
2.50% to 2.99%	29,315	29,924
3.00% to 3.49%	17,414	17,546
3.50% to 3.99%	6,882	7,123
4.00% to 4.99%	9,435	9,435
5.00% to 5.49%	237,611	165,615
5.50% to 5.99%	89,260	89,260
6.00% to 6.49%	110,360	110,360
6.50% to 6.99%	32,000	42,000
7.00% to 7.49%	16,158	45,105
7.50% to 7.99%	25,124	25,231
8.00% to 8.49%	26,612	26,714
8.50% to 8.99%	9,000	9,000
9.00% to 9.49%	47,244	53,244
9.50% to 9.99%	41,593	42,088
10.00% to 10.50%	6,000	6,000
	723,765	698,696
Notes payable, 6.05%, due 2006	960	960
Unsecured notes payable, 4.87%, maturing in various installments through 2023	135,000	135,000
Unsecured notes payable, 5.01%, due 2015	18,000	-
Unsecured notes payable, 5.20%, due 2020	12,000	-
	889,725	834,656
Current portion of long-term debt	45,186	50,195
Long-term debt, excluding current portion	844,539	784,461
Total capitalization	\$ 1,617,896	\$ 1,531,692

See notes to consolidated financial statements
beginning on page 7 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMMON STOCKHOLDERS' EQUITY
(In thousands of dollars)

(UNAUDITED)

	Common Stock	Capital in excess of par value	Retained earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unearned Compensation on Restricted Stock	Total
Balance at December 31, 2004	\$48,036	\$ 468,524	\$ 245,115	\$ (12,702)	\$ (1,742)	\$ -	\$ 747,231
Net income	-	-	41,089	-	-	-	41,089
Dividends	-	-	(24,881)	-	-	-	(24,881)
Sale of stock (202,999 shares)	85	3,852	-	821	-	-	4,758
Repurchase of stock (15,944 shares)	-	-	-	(425)	-	-	(425)
Equity Compensation Plan (28,314 shares)	14	708	-	-	-	(722)	-
Exercise of stock options (495,893 shares)	248	5,313	-	-	-	-	5,561
Amortization of unearned compensation	-	-	-	-	-	24	24
Balance at June 30, 2005	\$48,383	\$ 478,397	\$ 261,323	\$ (12,306)	\$ (1,742)	\$ (698)	\$ 773,357

See notes to consolidated financial statements
beginning on page 7 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)

	Six Months Ended June 30,	
	2005	2004
Cash flows from operating activities:		
Net income	\$ 41,089	\$ 33,446
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	31,767	29,099
Deferred income taxes	3,199	5,308
Gain on sale of other assets	(505)	(457)
Net decrease (increase) in receivables, inventory and prepayments	2,911	(7,295)
Net increase (decrease) in payables, accrued interest, accrued taxes and other accrued liabilities	(14,440)	795
Other	(354)	2,341
Net cash flows from operating activities	63,667	63,237
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of \$1,064 and \$1,333	(93,197)	(80,491)
Acquisitions of water and wastewater systems, net	(2,211)	(65,889)
Proceeds from the sale of other assets	508	1,252
Additions to funds restricted for construction activity	(72,156)	--
Release of funds previously restricted for construction activity	18,708	5,056
Other	(80)	(374)
Net cash flows used in investing activities	(148,428)	(140,446)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	6,024	7,095
Repayments of customers' advances	(1,780)	(1,646)
Net proceeds (repayments) of short-term debt	34,727	34,008
Proceeds from long-term debt	100,619	94,694
Repayments of long-term debt	(47,657)	(39,038)
Proceeds from issuing common stock	10,382	6,047
Repurchase of common stock	(424)	(37)
Dividends paid on common stock	(24,881)	(22,265)
Net cash flows from financing activities	77,010	78,858
Net increase (decrease) in cash and cash equivalents	(7,751)	1,649
Cash and cash equivalents at beginning of period	13,116	10,757
Cash and cash equivalents at end of period	\$ 5,365	\$ 12,406

See notes to consolidated financial statements
beginning on page 7 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

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

Note 1 Basis of Presentation

The accompanying consolidated balance sheet and statement of capitalization of Aqua America, Inc. at June 30, 2005, the consolidated statements of income and comprehensive income for the six months and quarter ended June 30, 2005 and 2004, the consolidated statements of cash flow for the six months ended June 30, 2005 and 2004, and the consolidated statement of common stockholders' equity for the six months ended June 30, 2005, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the changes in common stockholders' equity, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Aqua America Annual Report on Form 10-K for the year ended December 31, 2004 and the Quarterly Report on Form 10-Q for the quarter ended March 31, 2005. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year. Certain prior year amounts have been reclassified to conform with current year's presentation.

Note 2 Stockholders' Equity

On August 2, 2005, Aqua America's Board of Directors declared a four-for-three common stock split effected in the form of a 33.3% stock distribution for shareholders of record on November 17, 2005. The new shares will be distributed on December 1, 2005. Aqua America's par value of \$0.50 per share will not change as a result of the common stock distribution, and as a result, on the distribution date an amount will be transferred from Capital in Excess of Par Value to Common Stock to record the common stock split. Except where noted, the share and per share data contained in this Quarterly Report on Form 10-Q have not been restated to give effect to this stock split. The following table shows the pro forma effect on the Company's historical net income per share:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2005	2004	2005	2004
Pre-split net income per common share, as reported:				
Basic	\$ 0.43	\$ 0.36	\$ 0.23	\$ 0.19
Diluted	0.42	0.36	0.23	0.19
Pro forma post-split net income per common share:				
Basic	\$ 0.32	\$ 0.27	\$ 0.17	\$ 0.14
Diluted	0.32	0.27	0.17	0.14

Aqua America reports other comprehensive income in accordance with Statement of Financial Accounting Standards No. 130,

"Reporting Comprehensive Income." The following table summarizes the activity of accumulated other comprehensive income (loss):

	2005	2004
	-----	-----
Balance at January 1,	\$ (1,742)	\$ 171
Unrealized holding gain arising during the period, net of tax of \$32 in 2004	-	59
Less: reclassification adjustment for gains included in net income, net of tax of \$173 in 2004	-	(230)
	-----	-----
Other comprehensive income (loss), net of tax	-	(171)
	-----	-----
Balance at June 30,	\$ (1,742)	\$ -
	=====	=====

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AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)
(UNAUDITED)

Note 3 Long-term Debt and Loans Payable

In February 2005, Aqua America issued \$30,000 of unsecured notes of which \$18,000 are due in 2015 with an interest rate of 5.01% and \$12,000 are due in 2020 with an interest rate of 5.20%. The proceeds of this financing were used to refinance existing short-term debt.

In May 2005, the Company's Pennsylvania operating subsidiary issued \$72,000 of tax-exempt bonds secured by a supplement to the trust indenture relating to its First Mortgage Bonds on the following terms: \$22,000 at 4.87% due in 2036, \$25,000 at 4.88% due in 2037 and \$25,000 at 4.89% due in 2038. Of the \$72,000 in proceeds, \$22,000 will be used to retire previously issued tax-exempt bonds in August 2005 and the balance of the proceeds are restricted to funding the costs of certain capital projects in 2005 and 2006.

Note 4 Net Income per Common Share

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

Six Months Ended June 30,	Three Months Ended June 30,
------------------------------	--------------------------------

	2005	2004	2005	2004
Average common shares outstanding during the period for basic computation	95,701	92,793	95,889	92,899
Dilutive effect of employee stock options	1,210	1,035	1,234	949
Average common shares outstanding during the period for diluted computation	96,911	93,828	97,123	93,848

For the quarter and six months ended June 30, 2005, there were no outstanding employee stock options excluded from the calculation of diluted net income per share as the average market price of the Company's common stock was greater than the options' exercise price. For the quarter and six months ended June 30, 2004, outstanding employee stock options to purchase 581,900 shares of common stock were excluded from the calculation of diluted net income per share as the options' exercise price was greater than the average market price of the Company's common stock during this period.

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AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)
(UNAUDITED)

Note 5 Stock-Based Compensation

Aqua America currently accounts for stock-based compensation using the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no compensation expense related to granting of stock options has been recognized in the financial statements for stock options that have been granted, as the grant price is equal to the market price on the date of grant. Please refer to Note 8 - Recent Accounting Pronouncements for information concerning changes to Aqua America's accounting for stock-based compensation. Pursuant to the current disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, pro forma net income and earnings per share are presented in the following table as if compensation cost for stock-based employee compensation was determined as of the grant date under the fair value method:

	Six Months Ended June 30,		Three Months Ended June 30,	
	2005	2004	2005	2004
Net income, as reported:	\$ 41,089	\$ 33,446	\$ 22,218	\$ 17,871
Add: stock-based employee compensation expense included in reported net income, net of tax	209	168	151	136
Less: pro forma expense related to stock options granted, net of tax effects	(1,099)	(1,082)	(596)	(593)
Pro forma	\$ 40,199	\$ 32,532	\$ 21,773	\$ 17,414
Basic net income per share:				
As reported	\$ 0.43	\$ 0.36	\$ 0.23	\$ 0.19
Pro forma	0.42	0.35	0.23	0.19
Diluted net income per share:				
As reported	\$ 0.42	\$ 0.36	\$ 0.23	\$ 0.19
Pro forma	0.41	0.35	0.22	0.19

The fair value of options at the date of grant was estimated using the Black-Scholes option-pricing model.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)
(UNAUDITED)

Note 6 Pension Plans and Other Postretirement Benefits

The Company maintains a qualified, defined benefit plan, nonqualified pension plans and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values provided by independent actuaries. The following tables provide the components of net periodic benefit costs:

	Pension Benefits			
	Six Months Ended June 30,		Three Months Ended June 30,	
	2005	2004	2005	2004
Service cost	\$ 2,424	\$ 2,156	\$ 1,164	\$ 1,078
Interest cost	4,903	4,756	2,420	2,378
Expected return on plan assets	(4,768)	(4,585)	(2,383)	(2,293)
Amortization of transition obligation (asset)	(105)	(105)	(52)	(53)
Amortization of prior service cost	202	210	102	105
Amortization of actuarial loss	803	505	380	253
Capitalized costs	(911)	(524)	(482)	(287)
Net periodic benefit cost	\$ 2,548	\$ 2,413	\$ 1,149	\$ 1,181

	Other Postretirement Benefits			
	Six Months Ended June 30,		Three Months Ended June 30,	
	2005	2004	2005	2004
Service cost	\$ 612	\$ 556	\$ 282	\$ 278
Interest cost	941	913	458	457
Expected return on plan assets	(631)	(544)	(318)	(272)
Amortization of transition obligation (asset)	402	402	202	201
Amortization of prior service cost	(29)	(29)	(14)	(15)
Amortization of actuarial loss	110	63	55	32
Amortization of regulatory asset	76	68	38	34
Capitalized costs	(368)	(321)	(195)	(172)
Net periodic benefit cost	\$ 1,113	\$ 1,108	\$ 508	\$ 543

The Company expects to contribute \$878 to its defined benefit pension plan during 2005 and intends to fund its estimated 2005 contribution of \$6,400 in 2006. In addition, the Company expects to contribute approximately \$2,868 for the funding of

its other postretirement benefits.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)
(UNAUDITED)

Note 7

Water and Wastewater Rates

In April 2005, the Company's operating subsidiaries in Illinois and North Carolina's Heater division were granted rate increases designed to increase total revenue on an annual basis by approximately \$1,287 and \$1,489, respectively. In June 2005, the Company's wastewater subsidiary in Pennsylvania was granted rate increases for three separate systems designed to increase total revenue on an annual basis by approximately \$125.

In May 2004, the Company's operating subsidiary in Texas filed an application with the Texas Commission on Environmental Quality to increase rates by \$11,920 over a multi-year period. The application seeks to increase annual revenues in phases and is accompanied by a plan to defer and amortize a portion of the Company's depreciation, operating and other tax expense over a similar multi-year period, such that the annual impact on operating income approximates the requested amount. The application is currently pending before the Commission, and several parties have joined the proceeding to challenge our rate request. The Company commenced billing for the requested rates and implemented the deferral plan in August 2004, in accordance with authorization from the Texas Commission on Environmental Quality in July 2004. The revenue recognized and the expenses deferred by the Company reflect an estimate of the final outcome of the ruling. As of June 30, 2005, the Company has deferred \$7,403 of expenses and recognized \$2,475 of revenue that is subject to refund based on the outcome of the final commission order. In the event the Company's request is denied completely or in part, it could be required to refund some or all of the revenue billed to date, and write-off some or all of the regulatory asset for the expense deferral. Based on the Company's review of the present circumstances, no additional reserve or change in estimate adjustments are required for the revenue recognized to date or for the impairment of its regulatory asset.

Note 8

Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS No. 154 further requires that a change in depreciation, amortization or depletion method for long-lived, nonfinancial assets be accounted for as a change

in accounting estimate effected by a change in accounting principle. Aqua America intends to adopt this standard as required in 2006.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)
(UNAUDITED)

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," which clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Aqua America intends to adopt this standard as required in 2006. Aqua America is currently evaluating the provisions of this statement and has not yet determined the effect of adoption on its results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which revises SFAS No. 123, "Accounting for Stock-based Compensation," and supersedes APB No. 25, "Accounting for Stock Issued to Employees." In April 2005, the effective date for this standard was changed to require adoption of the standard at the beginning of the next fiscal year after June 15, 2005. As noted in Note 5 - Stock-based Compensation, the Company currently provides pro forma disclosure of its compensation costs associated with the fair value of stock options that have been granted. The Company currently accounts for stock-based compensation associated with stock options using the intrinsic method, and accordingly, no compensation costs have been recognized in its consolidated financial statements. SFAS 123R generally requires that the Company measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. The fair value of the option grant will be estimated using an option-pricing model. The Company is currently evaluating this standard to determine the impact on its consolidated financial statements, including the selection of an appropriate option-pricing model as permitted under SFAS No. 123R, and the method by which it will adopt SFAS No. 123R. The impact of adoption of SFAS No. 123R on the Company's earnings cannot be predicted at this time because it will depend on a number of variables including the level of share-based payments granted in the future. However, had the Company adopted SFAS No. 123R in prior periods, the impact of the standard would not have been materially different from the impact of SFAS 123 as described in the disclosure of pro forma net income and net income per share in Note 5 - Stock-based Compensation. The Company believes the adoption will have no impact on its overall financial position or cash flow, but will result in the reclassification of related tax benefits from operating cash flow to financing cash flow to the extent these tax benefits exceed the associated compensation cost recognized in the income statement. The Company is currently evaluating the change in the cash flow reporting and has not yet determined the effect of adoption on its cash flow statement presentation.

In November 2004, the FASB approved Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs - An Amendment of ARB No. 43, Chapter 4." SFAS No. 151 requires the exclusion of certain costs from inventories and the allocation

of fixed production overheads to inventories to be based on the normal capacity of the production facilities. The standard is effective for the Company for costs incurred after December 31, 2005. The Company believes this statement will not have a material impact on its results of operations or financial position.

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AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of dollars, except per share amounts) (continued)
(UNAUDITED)

In November 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29." SFAS No. 153 eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. The Company believes this statement will not have a material impact on its results of operations or financial position.

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. Among other provisions, the AJCA creates a new deduction for qualified domestic production activities. Certain activities of the Company, such as its water treatment activity, are considered as qualifying production activities for purposes of determining the deduction for qualified production activities. In December 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." In accordance with FSP 109-1, the Company will treat the deduction for qualified domestic production activities as a reduction of the income tax provision in the period as realized. The Company adopted this statement in the first quarter of 2005 and the effect was to reduce the provision for income taxes by approximately \$680 in the first six months of 2005 with approximately \$340 of the reduction occurring in the second quarter of 2005.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

AQUA AMERICA, INC. AND SUBSIDIARIES

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

Forward-looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: our use of cash; projected capital

expenditures; liquidity; possible acquisitions and other growth ventures; the completion of various construction projects; the projected annual value of rate increases; the projected effects of recent accounting pronouncements, as well as information contained elsewhere in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans" or similar expressions. These statements are based on a number of assumptions concerning future events, and are subject to a number of uncertainties and other factors, many of which are outside our control. Actual results may differ materially from such statements for a number of reasons, including the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, and our ability to assimilate acquired operations. In addition to these uncertainties or factors, our future results may be affected by the factors and risk factors set forth in our annual report on Form 10-K for the fiscal year ended December 31, 2004. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

General Information

Nature of Operations - Aqua America, Inc. ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be more than 2.5 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, Florida, Indiana, Virginia, Maine, Missouri, New York and South Carolina. Our largest operating subsidiary, Aqua Pennsylvania, Inc., 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 21 other counties in Pennsylvania. Our other subsidiaries provide similar services in 12 other states. In addition, we provide water and wastewater service through operating and maintenance contracts with municipal authorities and other parties close to our operating companies' service territories. We are the largest U.S.-based publicly-traded water utility based on number of people served.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

Financial Condition

During the first half of 2005, we had \$93,197 of capital expenditures, acquired water and wastewater systems for \$2,211, repaid \$1,780 of customer advances for construction and repaid debt and made sinking fund contributions and other loan repayments of \$47,657. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, in addition to well and booster improvements.

During the first half of 2005, the proceeds from the issuance of long-term debt, the proceeds from the issuance of common stock, internally generated funds and available working capital were used to fund the cash requirements discussed above and to pay dividends. In February 2005, Aqua America issued unsecured notes of \$30,000 at a weighted-average interest rate of 5.086% and the proceeds of this financing were used to refinance existing short-term debt. In May 2005, our Pennsylvania operating subsidiary issued \$72,000 tax-exempt bonds secured by a supplement to the trust indenture relating to its First Mortgage Bonds at a weighted-average interest rate of 4.88% due in years ranging from 2036 to 2038. Of the \$72,000 in proceeds, \$22,000 will be used to retire previously issued tax-exempt bonds of 6.35% in August 2005 and the balance of the proceeds are restricted to fund the costs of certain capital projects in 2005 and 2006. At June 30, 2005, we had short-term lines of credit of \$217,000, of which \$103,310 was available. Effective with the December 1, 2005 payment, Aqua America increased the quarterly cash dividend on common stock from \$0.13 per share to \$0.1425 per share.

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

Results of Operations

Analysis of First Six Months of 2005 Compared to First Six Months of 2004

Revenues for the first six months increased \$30,796 or 14.9% primarily due to additional revenues of \$17,433 resulting from increased water rates implemented in various operating subsidiaries, and additional water and sewer revenues of \$11,876 associated with a larger customer base, primarily resulting from acquisitions, principally the Heater acquisition which closed in June 2004 and the Florida Water acquisition which occurred in June 2004.

Operations and maintenance expenses increased by \$11,886 or 13.8% primarily due to the additional operating costs associated with acquisitions, principally the Heater and Florida Water acquisitions, increased pension costs, higher purchased water expenses and normal increases in operating costs.

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AQUA AMERICA, INC. AND SUBSIDIARIES

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

Depreciation expense increased \$2,132 or 7.8% reflecting the utility plant placed in service since the second quarter of 2004, including the assets acquired through system acquisitions, offset partially by an adjustment in the second quarter of 2005 resulting from the recent identification of a previously issued rate order that permitted the deferral of \$520 of depreciation expense. This depreciation expense was recognized in prior periods.

Amortization increased \$536 due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$1,795 or 12.9% due to the additional taxes associated with acquired operations.

Interest expense increased by \$2,098 or 9.0% primarily due to additional borrowings to finance the Heater and Florida Water acquisitions, and capital projects, offset partially by decreased interest rates on borrowings due to the refinancing of certain existing debt issues.

Allowance for funds used during construction ("AFUDC") decreased by \$269 primarily due to investment income of \$762 earned in the second quarter of 2005 which reduced both AFUDC and interest expense, and a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied. These variances were offset partially by additional AFUDC recorded as an adjustment in the second quarter of 2005 of \$974 resulting from the recent identification of a previously issued rate order which allowed the continuation of AFUDC on certain capital projects subsequent to being placed into utility service. This AFUDC was not recognized in prior periods.

Gain on sale of other assets totaled \$505 in the first half of 2005 and \$476 in the first half of 2004. The change is due to timing of sales of land and marketable securities.

Our effective income tax rate was 39.2% in the first half of 2005 and 39.7% in the first half of 2004. The change was due to the recognition of the American Jobs Creation Act tax deduction for qualified domestic production activities that reduced our tax provision in the first half of 2005 by approximately \$680.

Net income for the first six months increased by \$7,643 or 22.9%, in comparison to the same period in 2004 primarily as a result of the factors described above.

On a diluted per share basis, earnings increased \$0.06 or 16.7% reflecting the change in net income and a 3.3% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares issued in the November 2004 share offering, and the additional shares sold or issued through the dividend reinvestment plan and the employee stock and incentive plan.

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AQUA AMERICA, INC. AND SUBSIDIARIES

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

Analysis of Second Quarter of 2005 Compared to Second Quarter of 2004

Revenues for the quarter increased \$16,576 or 15.6% primarily due to additional revenues of \$9,103 resulting from increased water rates implemented in various operating subsidiaries, and additional water and sewer revenues of \$5,589 associated with a larger customer base primarily resulting from acquisitions, principally the Heater acquisition which closed in June 2004 and the Florida Water acquisition which occurred in June 2004.

Operations and maintenance expenses increased by \$6,408 or 14.4% primarily due to the additional operating costs associated with acquisitions, principally the Heater and Florida Water acquisitions, increased pension costs, higher purchased water expenses and normal increases in operating costs.

Depreciation expense increased \$1,123 or 8.3% reflecting the utility plant placed in service since the second quarter of 2004, including the assets acquired through system acquisitions, offset partially by an adjustment in the second quarter of 2005 resulting from the recent identification of a previously issued rate order that permitted the deferral of \$520 of depreciation expense. This depreciation expense was recognized in prior periods.

Amortization decreased \$22 or 1.8% due to the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by \$947 or 13.9% due to the additional taxes associated with acquired operations.

Interest expense increased by \$1,105 or 9.7% primarily due to additional borrowings to finance the Heater and Florida Water acquisitions, and capital projects, offset partially by decreased interest rates on borrowings due to the refinancing of certain existing debt issues.

Allowance for funds used during construction ("AFUDC") decreased by \$24 primarily due to investment income of \$762 earned in the second quarter of 2005 which reduced both AFUDC and interest expense, and a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied. These variances were partially offset by additional AFUDC recorded as an adjustment in the second quarter of 2005 of \$974 resulting from the recent identification of a previously issued a rate order which allowed the continuation of AFUDC on certain capital projects subsequent to being placed into utility service. This AFUDC was not recognized in prior periods.

Gain on sale of other assets totaled \$24 in the second quarter of 2005 and \$26 in the second quarter of 2004. The change is due to the timing of sales of land.

Our effective income tax rate was 39.6% in the second quarter of 2005 and 40.0% in the second quarter of 2004. The change was due to the recognition of the American Jobs Creation Act tax deduction for qualified domestic production activities that reduced our tax provision in the second quarter of 2005 by approximately \$340.

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

Net income for the quarter increased by \$4,347 or 24.3%, in comparison to the same period in 2004 primarily as a result of the factors described above. On a diluted per share basis, earnings increased \$0.04 or 21.1% reflecting the change in net income and a 3.5% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares issued in the November 2004 share offering, and the additional shares sold or issued through the dividend reinvestment plan and the employee stock and incentive plan.

Impact of Recent Accounting Pronouncements

In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 requires retrospective application to prior periods' financial statements for changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. SFAS No. 154 also requires that retrospective application of a change in accounting principle be limited to the direct effects of the change. Indirect effects of a change in accounting principle should be recognized in the period of the accounting change. SFAS No. 154 further requires that a change in depreciation, amortization or depletion method for long-lived, nonfinancial assets be accounted for as a change in accounting estimate effected by a change in accounting principle. Aqua America intends to adopt this standard as required in 2006.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations," which clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value can be reasonably estimated. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. We intend to adopt this standard as required in 2006. We are currently evaluating the provisions of this statement and have not yet determined the effect of adoption on our results of operations or financial position.

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment," which revises SFAS No. 123, "Accounting for Stock-based Compensation," and supersedes APB No. 25, "Accounting for Stock Issued to Employees." In April 2005, the effective date for this standard was changed to require adoption of the standard at the beginning of the next fiscal year after June 15, 2005. As noted in Note 5 - Stock-based Compensation, we currently provide pro forma disclosure of our compensation costs associated with the fair value of stock options that have been granted. We currently account for stock-based compensation associated with stock options using the intrinsic method, and accordingly, no compensation costs have been recognized in our consolidated financial statements. SFAS 123R generally requires that we measure the cost of employee services received in exchange for stock-based awards on the grant-date fair value and this cost will be recognized over the period during which an employee provides service in exchange for the award. The fair value of the option grant will be estimated using an option-pricing model. We are currently evaluating this standard to determine the impact on our consolidated financial statements, including the selection of an appropriate option-pricing model as permitted under SFAS No. 123R, and the method by which we will adopt SFAS No. 123R. The impact of adoption of SFAS No. 123R on our earnings cannot be predicted at this time because it will depend on a number of variables including the level of share-based payments granted in the future. However, had we adopted SFAS No. 123R in prior periods, the impact of the standard would not have been materially different from the impact of SFAS 123 as described in the disclosure of pro forma net income and net income per share in Note 5 - Stock-based Compensation. We believe the adoption will have no impact on our overall financial position or cash flow, but will result in the reclassification of related tax benefits from operating cash flow to financing cash flow to the extent these tax benefits exceed the associated compensation cost recognized in the income statement. We are currently evaluating the change in the cash flow reporting and have not yet determined the effect of adoption on our cash flow statement presentation.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

In November 2004, the FASB approved Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs - An Amendment of ARB No. 43, Chapter 4." SFAS No. 151 requires the exclusion of certain costs from inventories and the allocation of fixed production overheads to inventories to be based on the normal capacity of the production facilities. The standard is effective for Aqua America for costs incurred after December 31, 2005. We believe this statement will not have a material impact on our results of operations or financial position.

In November 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29." SFAS No. 153 eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for fiscal periods beginning after June 15, 2005. We believe this statement will not have a material impact on our results of operations or financial position.

On October 22, 2004, the American Jobs Creation Act ("AJCA") was signed into law. Among other provisions, the AJCA creates a new deduction for qualified domestic production activities. Certain of our activities, such as our water treatment activity, are considered as qualifying production activities for purposes of determining the deduction for qualified production activities. In December 2004, the FASB issued FSP 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." In accordance with FSP 109-1, we will treat the deduction for qualified domestic production activities as a reduction of the income tax provision in the period as realized. We adopted this statement in the first quarter of 2005 and the effect was to reduce the provision for income taxes by approximately \$680 in the first six months of 2005 with approximately \$340 of the reduction occurring in the second quarter of 2005.

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AQUA AMERICA, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2004. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2004 for additional information.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii)

accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

There are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of their properties is the subject that are material or are expected to have a material effect on our financial position, results of operations or cash flows.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes Aqua America's purchases of its common stock for the quarter ended June 30, 2005:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs (2)
April 1 - 30, 2005	4,105	\$ 26.24	-	411,209
May 1 - 31, 2005	3,896	\$ 27.51	-	411,209
June 1 - 30, 2005	2,894	\$ 29.56	-	411,209
Total	10,895	\$ 27.58	-	411,209

(1) These amounts consist of shares we purchased from our employees who elected to pay the exercise price of their stock options (and then hold shares of the stock) upon exercise by delivering to us (and, thus, selling) shares of Aqua America common stock in accordance with the terms of our equity compensation plans that were previously approved by our shareholders and disclosed in our proxy statements. This feature of our

equity compensation plan is available to all employees who receive option grants under the plan. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the option exercise.

- (2) On August 5, 1997, our Board of Directors authorized a common stock repurchase program that was publicly announced on August 7, 1997, for up to 870,282 shares. No repurchases have been made under this program since 2000. The program has no fixed expiration date. The number of shares authorized for purchase was adjusted as a result of the stock splits effected in the form of stock distributions since the authorization date.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of Aqua America, Inc. was held on May 19, 2005 at the Springfield Country Club, 400 West Sproul Road, Springfield, Pennsylvania, pursuant to the Notice sent on or about April 11, 2005 to all shareholders of record at the close of business on March 28, 2005. At that meeting the following nominees were elected as directors of Aqua America, Inc. for terms expiring in the year 2008 and received the votes set forth after their names below:

Name of Nominee -----	For ---	Withheld -----
Mary C. Carroll	78,022,229	1,357,978
Dr. Constantine Papadakis	78,527,787	852,420

Since the Board of Directors is divided into three classes with one class elected each year to hold office for a three-year term, the term of office for the following directors continued after the Annual Meeting: Nicholas DeBenedictis; Richard H. Glanton, Esq.; William P. Hankowsky; John F. McCaughan; John E. Menario; and Richard L. Smoot. Mr. Menario and Mr. McCaughan will reach the Company's mandatory retirement age for directors of 70 in 2005 and will serve until the end of 2005.

Item 6. Exhibits

(a) Exhibits

Exhibit No.	Description
4.29	Thirty-ninth Supplemental Indenture, dated as of May 1, 2005.
10.36	Bond Purchase Agreement among the Delaware County Industrial Development Authority, Aqua Pennsylvania, Inc., and Sovereign Securities Corporation, LLC, dated May 10, 2005.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.

SIGNATURES

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

August 4, 2005

AQUA AMERICA, INC.

Registrant

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman, President and
Chief Executive Officer

DAVID P. SMELTZER

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

Prepared by and Return to:
Mary T. Tomich, Esq.
Dilworth Paxson LLP
1735 Market Street
Philadelphia, PA 19103
215-575-7000

Exhibit 4.29

THIRTY-NINTH SUPPLEMENTAL

INDENTURE

DATED AS OF MAY 1, 2005

TO

INDENTURE OF MORTGAGE

DATED AS OF JANUARY 1, 1941

AQUA PENNSYLVANIA, INC.

TO

J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION

THIRTY-NINTH SUPPLEMENTAL INDENTURE dated as of May 1, 2005, by and between AQUA PENNSYLVANIA, INC. (f/k/a/ Pennsylvania Suburban Water Company), a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (the "Company") as successor by merger to the Philadelphia Suburban Water Company (the "Original Company"), party of the first part, and J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association (the "Trustee"), party of the second part.

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

WHEREAS, through a series of mergers, changes of names and successions, J.P. Morgan Trust Company, National Association, became the successor trustee; such mergers, changes of name and successions not involving any change in the title, powers, rights or duties of the trustee, as trustee under the Original Indenture as supplemented at the respective dates thereof; and

WHEREAS, the Original Company duly executed and delivered to the Trustee thirty-four supplemental indentures supplemental to the Original

Indenture, and the Company duly executed and delivered to the Trustee four supplemental indentures to the Original Indenture so as to subject certain additional property to the lien of the Original Indenture and to provide for the creation of additional series of bonds; and

WHEREAS, pursuant to an Agreement and Plan of Merger and Reorganization dated December 20, 2001, and effective on January 1, 2002, the Original Company agreed to merge, in conjunction with its affiliated corporations, Consumers Pennsylvania Water Company - Shenango Valley Division, Consumers Pennsylvania Water Company - Roaring Creek Division, Consumers Pennsylvania Water Company - Susquehanna Division, Waymart Water Company, Fawn Lake Forrest Water Company, Western Utilities, Inc., and Northeastern Utilities, Inc. (such affiliates referred to hereinafter as the "Merging Entities") with and into the Company; and

WHEREAS, pursuant to the Thirty-Fifth Supplemental Indenture dated as of January 1, 2002 (the "Thirty-Fifth Supplemental Indenture"), the Company agreed to assume the obligations of the Original Company under the Original Indenture and all supplements thereto; and

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

DESIGNATION -----	INDENTURE -----	AMOUNT -----
3 1/4% Series due 1971	Original	\$16,375,000
9 5/8% Series due 1975	Thirteenth Supplemental	10,000,000
9.15% Series due 1977	Fourteenth Supplemental	10,000,000
3% Series due 1978	First Supplemental	2,000,000
3 3/8% Series due 1982	Second Supplemental	4,000,000
3.90% Series due 1983	Third Supplemental	5,000,000
3 1/2% Series due 1986	Fourth Supplemental	6,000,000
4 1/2% Series due 1987	Fifth Supplemental	4,000,000
4 1/8% Series due 1988	Sixth Supplemental	4,000,000
5% Series due 1989	Seventh Supplemental	4,000,000
4 5/8% Series due 1991	Eighth Supplemental	3,000,000
4.70% Series due 1992	Ninth Supplemental	3,000,000
6 7/8% Series due 1993	Twelfth Supplemental	4,500,000
4.55% Series due 1994	Tenth Supplemental	4,000,000
10 1/8% Series due 1995	Sixteenth Supplemental	10,000,000
5 1/2% Series due 1996	Eleventh Supplemental	4,000,000
7 7/8% Series due 1997	Fifteenth Supplemental	5,000,000
8.44% Series due 1997	Twenty-Third Supplemental	12,000,000
9.20% Series due 2001	Seventeenth Supplemental	7,000,000
8.40% Series due 2002	Eighteenth Supplemental	10,000,000
5.95% Series due 2002	Twenty-Seventh Supplemental	4,000,000
12.45% Series due 2003	Twentieth Supplemental	10,000,000
13% Series due 2005	Twenty-First Supplemental	8,000,000
10.65% Series due 2006	Twenty-Second Supplemental	10,000,000
9.89% Series due 2008	Twenty-Fourth Supplemental	5,000,000
7.15% Series due 2008	Twenty-Eighth Supplemental	22,000,000
9.12% Series due 2010	Twenty-Fifth Supplemental	20,000,000
8 7/8% Series due 2010	Nineteenth Supplemental	8,000,000
6.50% Series due 2010	Twenty-Seventh Supplemental	3,200,000
9.17% Series due 2011	Twenty-Sixth Supplemental	5,000,000
9.93% Series due 2013	Twenty-Fourth Supplemental	5,000,000
9.97% Series due 2018	Twenty-Fourth Supplemental	5,000,000
9.17% Series due 2021	Twenty-Sixth Supplemental	8,000,000
9.29% Series due 2026	Twenty-Sixth Supplemental	12,000,000
1995 Medium Term Note Series	Twenty-Ninth Supplemental	77,000,000
6.35% Series due 2025	Thirtieth Supplemental	22,000,000

1997 Medium Term Note Series	Thirty-First Supplemental	65,000,000
6.75% Subseries A due 2007	10,000,000	
6.30% Subseries B due 2002	10,000,000	
6.14% Subseries C due 2008	10,000,000	
5.80% Subseries D due 2003	10,000,000	
5.85% Subseries E due 2004	10,000,000	
6.00% Subseries F due 2004	15,000,000	
6.00% Series due 2029	Thirty-Second Supplemental	25,000,000

1999 Medium Term Note Series	Thirty-Third Supplemental	222,3334,480
7.40% Subseries A due 2005	15,000,000	
7.40% Subseries B due 2005	11,000,000	
6.21% Subseries C due 2011	15,000,000	
9.53% Subseries D due 2019	4,000,000	
6.375% Subseries E due 2023	14,000,000	
8.26% Subseries F due 2022	1,500,000	
9.50% Subseries G due 2006	1,440,000	
9.22% Subseries H due 2019	2,534,480	
8.32% Subseries I due 2022	3,500,000	
8.14% Subseries J due 2025	4,000,000	
6.00% Subseries K due 2030	18,360,000	
5.93% Subseries L due 2012	25,000,000	
2.65% Subseries M due 2006	5,000,000	
3.461% Subseries N due 2007	12,000,000	
5.08% Subseries O due 2015	20,000,000	
5.17% Subseries P due 2017	7,000,000	
5.751% Subseries Q due 2019	15,000,000	
5.751% Subseries R due 2019	15,000,000	
6.06% Subseries S due 2027	15,000,000	
6.06% Subseries T due 2027	5,000,000	
5.98% Subseries U due 2028	3,000,000	
5.35% Series due 2031	Thirty-Fourth Supplemental	30,000,000
5.55% Series due 2032	Thirty-Sixth Supplemental	25,000,000
3.75% Series due 2010	Thirty-Seventh Supplemental	3,200,000
5.15% Series due 2032	Thirty Seventh Supplemental	25,000,000
5.05% Series due 2039	Thirty-Eighth Supplemental	14,000,000

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

WHEREAS, the Original Indenture and the first thirty-eight supplemental indentures supplemental to the Original Indenture were duly recorded in the Commonwealth of Pennsylvania on the dates and in the office for the Recording of Deeds for the counties and in the Mortgage Books at the pages indicated in Exhibit B hereto; and

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WHEREAS, in order to secure the Lien of the Original Indenture on the properties of the Original Company and the Company, the Original Indenture and the thirty-eight indentures supplemental thereto were recorded in the Commonwealth of Pennsylvania on the dates and in the office for the Recording of Deeds for the counties and in the Mortgage Books at the pages indicated on Exhibit B hereto;

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

WHEREAS, the Company proposes to create under the Original Indenture, as supplemented by this Thirty-Ninth Supplemental Indenture, three series of bonds to be designated "First Mortgage Bonds, 5.00% Series due 2037" (herein referred to as the "5.00% Series due 2037") to be limited in aggregate principal amount to \$24,165,000, to bear interest at the rate of 5.00% per annum, and to mature on November 1, 2037, "First Mortgage Bonds, 5.00% Series due 2038" (herein referred to as the "5.00% Series due 2038") to be limited in aggregate principal amount to \$25,375,000, to bear interest at the rate of 5.00% per annum, and to mature on November 1, 2038, and "First Mortgage Bonds, 5.00% Series due 2036" (herein referred to as the "5.00% Series due 2036" and, together with the 5.00% Series due 2037 and the 5.00% Series due 2038, the "Bonds") to be limited in aggregate principal amount to \$21,770,000, to bear interest at the rate of 5.00% per annum, and to mature on November 1, 2036, each series of Bonds to be issued only as registered bonds without coupons and to be dated the date of delivery thereof; and

WHEREAS, in order to finance the costs of numerous acquisitions, constructions, modifications, expansions, installations and replacements of the Company's water distribution, treatment and related operating systems located in the Counties of Berks, Bucks, Chester, Delaware and Montgomery in Pennsylvania and that are part of the Company's system for the distribution of water to its customers and related financing costs, which are to be financed under a Financing Agreement dated as of May 1, 2005 (the "Financing Agreement") between the Company and the Delaware County Industrial Development Authority, a Pennsylvania body politic and corporate (the "Authority"), and which are described in Exhibit A thereto (which facilities, less any deletions therefore and together with any additions, improvements and modifications thereto and substitutions therefore made in accordance with the provisions of the Financing Agreement are referred to as the "Facilities"), the Company has

requested the Authority to issue a new series of bonds to be known as the Authority's Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project), Series A of 2005 in the aggregate principal amount of \$49,540,000 (the "Authority Series A Bonds"); and

WHEREAS, the Delaware County Industrial Development Authority (the "Authority") previously issued its Water Facilities Revenue Bonds (Philadelphia Suburban Water Company Project) Series of 1995 (the "Prior Bonds"), currently outstanding in the aggregate principal amount of \$22,000,000, to finance certain capital costs of various modifications to and expansions and replacements of its water distribution, treatment and related operating systems throughout the Counties of Bucks, Chester, Delaware and Montgomery (the "Prior Bonds Facilities"), on behalf of Philadelphia Suburban Water Company (predecessor to the Company); and

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WHEREAS, in order to finance the refunding of the Prior Bonds, the Company has requested the Authority to issue a new series of bonds to be known as the Authority's Water Facilities Revenue Refunding Bonds (Aqua Pennsylvania, Inc. Project), Series B of 2005 in the aggregate principal amount of \$21,770,000 (the "Authority Series B Bonds" and, together with the Authority Series A Bonds, the "Authority Bonds"); and

WHEREAS, in connection with the refunding of the Prior Bonds, the 6.35% Series due 2025 will be cancelled; and

WHEREAS, the Company proposes to issue the Bonds under the provisions of Article IV of the Original Indenture, and will comply with the provisions thereof as well as with other provisions of the Original Indenture and indentures supplemental thereto in connection with the issuance of additional bonds so that it will be entitled to procure the authentication and delivery of the Bonds; and

WHEREAS, the Authority Bonds are to be issued under a Trust Indenture, dated as of May 1, 2005 (the "Authority Indenture"), between the Authority and Wachovia Bank, National Association, as trustee (the "Authority Trustee"); and

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

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

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

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WHEREAS, the Company, by proper corporate action, has duly authorized the creation of the 5.00% Series due 2037, the 5.00% Series due 2038 and the 5.00% Series due 2036 (to be issued in accordance with the terms and

provisions of the Original Indenture and indentures supplemental thereto, including this Thirty-Ninth Supplemental Indenture, and to be secured by said Original Indenture and indentures supplemental thereto, including this Thirty-Ninth Supplemental Indenture) and has further duly authorized the execution, delivery and recording of this Thirty-Ninth Supplemental Indenture setting forth the terms and provisions of the 5.00% Series due 2037, the 5.00% Series due 2038 and the 5.00% Series due 2036 insofar as said terms and provisions are not set forth in said Original Indenture; and

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

[Form of 5.00% Series due 2037]

No. R-1

\$24,165,000

AQUA PENNSYLVANIA, INC.

(Incorporated under the Laws of the Commonwealth
of Pennsylvania)

First Mortgage Bond, 5.00% Series Due 2037

Aqua Pennsylvania, Inc. (f/k/a known as Pennsylvania Suburban Water Company, successor by merger to Philadelphia Suburban Water Company), a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to Delaware County Industrial Development Authority or its registered assigns, on the 1st day of November, 2037, at the designated office of J.P. Morgan Trust Company, National Association (hereinafter called the "Trustee") in Philadelphia, Pennsylvania, the sum of Twenty-Four Million One Hundred Sixty-Five Thousand Dollars in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts and to pay interest thereon to the registered owner hereof by draft or check of the Trustee mailed to such registered owner from the interest payment date next preceding the date of the authentication of this Bond (or if this Bond is authenticated after a Record Date as defined below and on or before the succeeding interest payment date, from such succeeding interest payment date, or if this Bond is authenticated on or prior to May 19, 2005, from the date hereof) until the principal hereof shall become due and payable, at the rate of five percent (5.00%) per annum, payable semiannually in like coin or currency on the first day of May and the first day of November in each year, commencing November 1, 2005 and to pay interest on overdue principal (including any overdue required or optional prepayment of principal) and premium, if any, and, to the extent legally enforceable, on any overdue installment of interest at a rate of 5.00% per annum after maturity whether by acceleration or otherwise until paid.

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

This Bond is one of a duly authorized issue of bonds of the Company known as its First Mortgage Bonds, issued and to be issued without limitation as to aggregate principal amount except as set forth in the Indenture hereinafter mentioned in one or more series and equally secured (except insofar as a sinking fund or other similar fund established in accordance with the provisions of the Indenture may afford additional security for the bonds of any

specific series) by an Indenture of Mortgage (herein called the "Indenture") dated as of January 1, 1941, executed by the Philadelphia Suburban Water Company (now Aqua Pennsylvania, Inc., f/k/a Pennsylvania Suburban Water Company, as successor by merger) to The Pennsylvania Company for Insurances on Lives and Granting Annuities (succeeded as trustee by J.P. Morgan Trust Company, National Association), as Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders and registered owners of the bonds and of the Trustee in respect of such security, and the terms and conditions under which the bonds are and are to be secured and may be issued under the Indenture; but neither the foregoing reference to the Indenture nor any provision of this Bond or of the Indenture or of any indenture supplemental thereto shall affect or impair the obligation of the Company, which is absolute and unconditional, to pay at the stated or accelerated maturity herein and in the Indenture provided, the principal of and premium, if any, and interest on this Bond as herein provided. As provided in the Indenture, the bonds may be issued in series for various principal amounts, may bear different dates and mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the Bonds described in an indenture supplemental to said Indenture known as the "Thirty-Ninth Supplemental Indenture" dated as of May 1, 2005, and designated therein as "First Mortgage Bonds, 5.00% Series due 2037" (the "Bonds").

Concurrently herewith the Company is issuing is "First Mortgage Bonds, 5.00% Series due 2038" in the aggregate principal amount of \$25,375,000 (the "5.00% Series due 2038") and its "First Mortgage Bonds, 5.00% Series due 2036" in the aggregate principal amount of \$21,770,000 (the "5.00% Series due 2036" and, together with the 5.00% Series due 2037 and the 5.00% Series due 2038, the "2005 Bonds").

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

The 2005 Bonds have been issued by the Company to secure the obligation of the Company to pay to or for the account of the Authority (defined below) an amount equal to the principal, premium, if any, of, and interest on, the Authority Bonds (defined below) pursuant to the Financing Agreement (the "Financing Agreement") dated as of May 1, 2005, between the Delaware County Industrial Development Authority, a Pennsylvania body politic and corporate (the "Authority"), and the Company, which Authority Bonds are being issued to finance (1) the costs of numerous acquisitions, constructions, modifications, expansions, installations and replacements of the Company's water distribution, treatment and related operating systems located in the Counties of Berks, Bucks, Chester, Delaware and Montgomery in Pennsylvania and that are part of the Company's system for the distribution of water to its customers and related financing costs and that are part of the Company's system for the distribution of water to its customers and related financing costs which are to be financed under the Financing Agreement and which are described in Exhibit A thereto (which facilities, less any deletions therefrom and together with any additions, improvements and modifications thereto and substitutions therefor made in accordance with the provisions of the Financing Agreement are referred to as the

"Facilities"), and (2) the refunding of the Authority's Water Facilities Revenue Bonds (Philadelphia Suburban Water Company Project), Series of 1995, previously issued by the Authority on behalf of Philadelphia Suburban Water Company (predecessor to the Company) (the "Refunding Project"). The Facilities are to be financed through the sale of the Authority's Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project), Series A of 2005, in the aggregate principal amount of \$49,540,000, of which \$24,165,000 are due November 1, 2037 and \$25,375,000 are due November 1, 2038 (the "Authority Series A Bonds"), and the Refunding Project is to be financed through the sale of the Authority's Water Facilities Revenue Refunding Bonds (Aqua Pennsylvania, Inc. Project), Series B of 2005, in the aggregate principal amount of \$21,770,000 (the "Authority Series B Bonds" and, together with the Authority Series A Bonds, the "Authority Bonds").

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The Authority Bonds are to be issued under a Trust Indenture, dated as of May 1, 2005 (the "Authority Indenture") between the Authority and Wachovia Bank, National Association, as trustee (the "Authority Trustee"). The right, title and interest of the Authority in and to the Financing Agreement and the payments thereunder and the security for such payments have been assigned by the Authority to the Authority Trustee, and the Bonds have been delivered by the Company on behalf of the Authority directly to the Authority Trustee, as assignee, as security for the payment of the principal of, and premium, if any, and interest on, the Authority Bonds. The Authority Trustee may not sell, assign or otherwise transfer the Bonds except for a transfer of the entire outstanding principal amount thereof to its successor as Trustee under the Authority Indenture, which successor and each subsequent successor shall hold such Bonds subject to the same restriction on transfer.

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

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

The Bonds are redeemable only as follows:

(a) The Bonds are subject to redemption prior to maturity, at the option of the Company, on or after November 1, 2015, in whole or in part, at a redemption price of 100% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

(b) The Bonds are also subject to redemption at the direction of the Company, in whole, at any time prior to maturity, at a redemption price of 100% of the principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, at any time the Authority Series A Bonds are subject to extraordinary optional redemption pursuant to Section 7.01(a)(ii) of the Authority Indenture.

(c) The Bonds are also subject to special mandatory redemption at the direction of the Company, in part, prior to maturity, at a redemption price of 100% of the principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, at such time and in such amount as the Authority Series A Bonds are subject to special mandatory redemption pursuant to Section 7.01(a)(iii) of the Authority Indenture.

(d) The Bonds are also subject to mandatory redemption by the Company in whole if the Trustee shall receive a written demand from the Authority Trustee for redemption of all such Bonds held by the Authority Trustee stating that an "Event of Default" as defined in Section 9.01(a) of the Authority Indenture has occurred and is continuing and that payment of the principal of the Authority Bonds has been accelerated pursuant to Section 9.01(b) of the Authority Indenture, provided that at the time of notice of such redemption as provided in Section 2 of Article V of the Original Indenture (i) said written

demand shall not have been withdrawn by the Authority Trustee, and (ii) no event of default under Section 1 of Article XI of the Original Indenture shall have occurred and be continuing.

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

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

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

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

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

This Bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose, until J.P. Morgan Trust Company, National Association, as Trustee under the Indenture, or a successor trustee thereunder, shall have signed the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, Aqua Pennsylvania, Inc. has caused this Bond to be signed by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated _____, 2005.

Attest:

AQUA PENNSYLVANIA, INC.

By:

(Assistant) Secretary

Vice President and Treasurer

(Form of Trustee's Certificate)

This Bond is one of the Bonds, of the series designated therein, referred to in the within-mentioned Thirty-Ninth Supplemental

Indenture.

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION

By: _____
Authorized Signer

[Form of 5.00% Series due 2038]

No. R-1

\$25,375,000

AQUA PENNSYLVANIA, INC.

(Incorporated under the Laws of the Commonwealth
of Pennsylvania)

First Mortgage Bond, 5.00% Series Due 2038

Aqua Pennsylvania, Inc. (f/k/a known as Pennsylvania Suburban Water Company, successor by merger to Philadelphia Suburban Water Company), a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to Delaware County Industrial Development Authority or its registered assigns, on the 1st day of November, 2038, at the designated office of J.P. Morgan Trust Company, National Association (hereinafter called the "Trustee") in Philadelphia, Pennsylvania, the sum of Twenty-Five Million Three Hundred Seventy-Five Thousand Dollars in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts and to pay interest thereon to the registered owner hereof by draft or check of the Trustee mailed to such registered owner from the interest payment date next preceding the date of the authentication of this Bond (or if this Bond is authenticated after a Record Date as defined below and on or before the succeeding interest payment date, from such succeeding interest payment date, or if this Bond is authenticated on or prior to May 19, 2005, from the date hereof) until the principal hereof shall become due and payable, at the rate of five percent (5.00%) per annum, payable semiannually in like coin or currency on the first day of May and the first day of November in each year, commencing November 1, 2005 and to pay interest on overdue principal (including any overdue required or optional prepayment of principal) and premium, if any, and, to the extent legally enforceable, on any overdue installment of interest at a rate of 5.00% per annum after maturity whether by acceleration or otherwise until paid.

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

This Bond is one of a duly authorized issue of bonds of the Company known as its First Mortgage Bonds, issued and to be issued without limitation as to aggregate principal amount except as set forth in the Indenture hereinafter mentioned in one or more series and equally secured (except insofar as a sinking fund or other similar fund established in accordance with the provisions of the Indenture may afford additional security for the bonds of any specific series) by an Indenture of Mortgage (herein called the "Indenture") dated as of January 1, 1941, executed by the Philadelphia Suburban Water Company

(now Aqua Pennsylvania, Inc., f/k/a Pennsylvania Suburban Water Company, as successor by merger) to The Pennsylvania Company for Insurances on Lives and Granting Annuities (succeeded as trustee by J.P. Morgan Trust Company, National Association), as Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders and registered owners of the bonds and of the Trustee in respect of such security, and the terms and conditions under which the bonds are and are to be secured and may be issued under the Indenture; but neither the foregoing reference to the Indenture nor any provision of this Bond or of the Indenture or of any indenture supplemental thereto shall affect or impair the obligation of the Company, which is absolute and unconditional, to pay at the stated or accelerated maturity herein and in the Indenture provided, the principal of and premium, if any, and interest on this Bond as herein provided. As provided in the Indenture, the bonds may be issued in series for various principal amounts, may bear different dates and mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the Bonds described in an indenture supplemental to said Indenture known as the "Thirty-Ninth Supplemental Indenture" dated as of May 1, 2005, and designated therein as "First Mortgage Bonds, 5.00% Series due 2038" (the "Bonds").

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Concurrently herewith the Company is issuing is "First Mortgage Bonds, 5.00% Series due 2037" in the aggregate principal amount of \$24,165,000 (the "5.00% Series due 2037") and its "First Mortgage Bonds, 5.00% Series due 2036" in the aggregate principal amount of \$21,770,000 (the "5.00% Series due 2036" and, together with the 5.00% Series due 2037 and the 5.00% Series due 2038, the "2005 Bonds").

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

The 2005 Bonds have been issued by the Company to secure the obligation of the Company to pay to or for the account of the Authority (defined below) an amount equal to the principal, premium, if any, of, and interest on, the Authority Bonds (defined below) pursuant to the Financing Agreement (the "Financing Agreement") dated as of May 1, 2005, between the Delaware County Industrial Development Authority, a Pennsylvania body politic and corporate (the "Authority"), and the Company, which Authority Bonds are being issued to finance (1) the costs of numerous acquisitions, constructions, modifications, expansions, installations and replacements of the Company's water distribution, treatment and related operating systems located in the Counties of Berks, Bucks, Chester, Delaware and Montgomery in Pennsylvania and that are part of the Company's system for the distribution of water to its customers and related financing costs and that are part of the Company's system for the distribution of water to its customers and related financing costs which are to be financed under the Financing Agreement and which are described in Exhibit A thereto (which facilities, less any deletions therefrom and together with any additions, improvements and modifications thereto and substitutions therefor made in accordance with the provisions of the Financing Agreement are referred to as the "Facilities"), and (2) the refunding of the Authority's Water Facilities Revenue Bonds (Philadelphia Suburban Water Company Project), Series of 1995, previously

issued by the Authority on behalf of Philadelphia Suburban Water Company (predecessor to the Company) (the "Refunding Project"). The Facilities are to be financed through the sale of the Authority's Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project), Series A of 2005, in the aggregate principal amount of \$49,540,000, of which \$24,165,000 are due November 1, 2037 and \$25,375,000 are due November 1, 2038 (the "Authority Series A Bonds"), and the Refunding Project is to be financed through the sale of the Authority's Water Facilities Revenue Refunding Bonds (Aqua Pennsylvania, Inc. Project), Series B of 2005, in the aggregate principal amount of \$21,770,000 (the "Authority Series B Bonds" and, together with the Authority Series A Bonds, the "Authority Bonds").

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The Authority Bonds are to be issued under a Trust Indenture, dated as of May 1, 2005 (the "Authority Indenture") between the Authority and Wachovia Bank, National Association, as trustee (the "Authority Trustee"). The right, title and interest of the Authority in and to the Financing Agreement and the payments thereunder and the security for such payments have been assigned by the Authority to the Authority Trustee, and the Bonds have been delivered by the Company on behalf of the Authority directly to the Authority Trustee, as assignee, as security for the payment of the principal of, and premium, if any, and interest on, the Authority Bonds. The Authority Trustee may not sell, assign or otherwise transfer the Bonds except for a transfer of the entire outstanding principal amount thereof to its successor as Trustee under the Authority Indenture, which successor and each subsequent successor shall hold such Bonds subject to the same restriction on transfer.

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

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

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The Bonds are redeemable only as follows:

(e) The Bonds are subject to redemption prior to maturity, at the option of the Company, on or after November 1, 2015, in whole or in part, at a redemption price of 100% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

(f) The Bonds are also subject to redemption at the direction of the Company, in whole, at any time prior to maturity, at a redemption price of 100% of the principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, at any time the Authority Series A Bonds are subject to extraordinary optional redemption pursuant to Section 7.01(a)(ii) of the Authority Indenture.

(g) The Bonds are also subject to special mandatory redemption at the direction of the Company, in part, prior to maturity, at a redemption price of 100% of the principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, at such time and in such amount as the Authority Series A Bonds are subject to special mandatory redemption pursuant to Section 7.01(a)(iii) of the Authority Indenture.

(h) The Bonds are also subject to mandatory redemption by the Company in whole if the Trustee shall receive a written demand from the Authority Trustee for redemption of all such Bonds held by the Authority Trustee stating that an "Event of Default" as defined in Section 9.01(a) of the Authority Indenture has occurred and is continuing and that payment of the principal of the Authority Bonds has been accelerated pursuant to Section 9.01(b) of the Authority Indenture, provided that at the time of notice of such redemption as

provided in Section 2 of Article V of the Original Indenture (i) said written demand shall not have been withdrawn by the Authority Trustee, and (ii) no event of default under Section 1 of Article XI of the Original Indenture shall have occurred and be continuing.

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

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

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

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

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

This Bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose, until J.P. Morgan Trust Company, National Association, as Trustee under the Indenture, or a successor trustee thereunder, shall have signed the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, Aqua Pennsylvania, Inc. has caused this Bond to be signed by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated _____, 2005.

Attest:

AQUA PENNSYLVANIA, INC.

By:

(Assistant) Secretary

Vice President and Treasurer

(Form of Trustee's Certificate)

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

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION

By: _____

Authorized Signer

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[Form of 5.00% Series Due 2036]

No. R-1

\$21,770,000

AQUA PENNSYLVANIA, INC.

(Incorporated under the Laws of the Commonwealth

of Pennsylvania)

First Mortgage Bond, 5.00% Series due 2036

Aqua Pennsylvania, Inc. (f/k/a known as Pennsylvania Suburban Water Company, successor by merger to Philadelphia Suburban Water Company), a corporation organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to Delaware County Industrial Development Authority or its registered assigns, on the 1st day of November, 2036, at the designated office of J.P. Morgan Trust Company, National Association (hereinafter called the "Trustee") in Philadelphia, Pennsylvania, the sum of Twenty-One Million Seven Hundred Seventy Thousand Dollars in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts and to pay interest thereon to the registered owner hereof by draft or check of the Trustee mailed to such registered owner from the interest payment date next preceding the date of the authentication of this Bond (or if this Bond is authenticated after a Record Date as defined below and on or before the succeeding interest payment date, from such succeeding interest payment date, or if this Bond is authenticated on or prior to May 19, 2005, from the date hereof) until the principal hereof shall become due and payable, at the rate of five percent (5.00%) per annum, payable semiannually in like coin or currency on the first day of May and the first day of November in each year, commencing November 1, 2005 and to pay interest on overdue principal (including any overdue required or optional prepayment of principal) and premium, if any, and, to the extent legally enforceable, on any overdue installment of interest at a rate of 5.00% per annum after maturity whether by acceleration or otherwise until paid.

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

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This Bond is one of a duly authorized issue of bonds of the Company known as its First Mortgage Bonds, issued and to be issued without limitation as to aggregate principal amount except as set forth in the Indenture hereinafter mentioned in one or more series and equally secured (except insofar as a sinking fund or other similar fund established in accordance with the provisions of the Indenture may afford additional security for the bonds of any specific series) by an Indenture of Mortgage (herein called the "Indenture") dated as of January 1, 1941, executed by the Philadelphia Suburban Water Company (now Aqua Pennsylvania, Inc., f/k/a Pennsylvania Suburban Water Company, as successor by merger) to The Pennsylvania Company for Insurances on Lives and

Granting Annuities (succeeded as trustee by J.P. Morgan Trust Company, National Association), as Trustee, to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders and registered owners of the bonds and of the Trustee in respect of such security, and the terms and conditions under which the bonds are and are to be secured and may be issued under the Indenture; but neither the foregoing reference to the Indenture nor any provision of this Bond or of the Indenture or of any indenture supplemental thereto shall affect or impair the obligation of the Company, which is absolute and unconditional, to pay at the stated or accelerated maturity herein and in the Indenture provided, the principal of and premium, if any, and interest on this Bond as herein provided. As provided in the Indenture, the bonds may be issued in series for various principal amounts, may bear different dates and mature at different times, may bear interest at different rates and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the Bonds described in an indenture supplemental to said Indenture known as the "Thirty-Ninth Supplemental Indenture" dated as of May 1, 2005, and designated therein as "First Mortgage Bonds, 5.00% Series due 2036" (the "Bonds").

Concurrently herewith the Company is issuing its "First Mortgage Bonds, 5.00% Series due 2037" in the aggregate principal amount of \$24,165,000 (the "5.00% Series due 2037") and its "First Mortgage Bonds, 5.00% Series due 2038" in the aggregate principal amount of \$25,375,000 (the "5.00% Series due 2038" and, together with the 5.00% Series due 2037 and the 5.00% Series due 2036, the "2005 Bonds").

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

The 2005 Bonds have been issued by the Company to secure the obligation of the Company to pay to or for the account of the Authority (defined below) an amount equal to the principal, premium, if any, of, and interest on, the Authority Bonds (defined below) pursuant to the Financing Agreement (the "Financing Agreement") dated as of May 1, 2005, between the Delaware County Industrial Development Authority, a Pennsylvania body politic and corporate (the "Authority"), and the Company, which Authority Bonds are being issued to finance (1) the costs of numerous acquisitions, constructions, modifications, expansions, installations and replacements of the Company's water distribution, treatment and related operating systems located in the Counties of Berks, Bucks, Chester, Delaware and Montgomery in Pennsylvania and that are part of the Company's system for the distribution of water to its customers and related financing costs which are to be financed under the Financing Agreement and which are described in Exhibit A thereto (which facilities, less any deletions therefrom and together with any additions, improvements and modifications thereto and substitutions therefor made in accordance with the provisions of the Financing Agreement are referred to as the "Facilities"), and (2) the refunding of the Authority's Water Facilities Revenue Bonds (Philadelphia Suburban Water Company Project), Series of 1995, previously issued by the Authority on behalf of Philadelphia Suburban Water Company (predecessor to the Company) (the "Refunding Project"). The Facilities are to be financed through the sale of the Authority's Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project),

Series A of 2005, in the aggregate principal amount of \$49,540,000, of which \$24,165,000 are due November 1, 2037 and \$25,375,000 are due November 1, 2038 (the "Authority Series A Bonds"), and the Refunding Project is to be financed through the sale of the Authority's Water Facilities Revenue Refunding Bonds (Aqua Pennsylvania, Inc. Project), Series B of 2005, in the aggregate principal amount of \$21,770,000 (the "Authority Series B Bonds" and, together with the Authority Series A Bonds, the "Authority Bonds").

The Authority Bonds are to be issued under a Trust Indenture, dated as of May 1, 2005 (the "Authority Indenture") between the Authority and Wachovia Bank, National Association, as trustee (the "Authority Trustee"). The right, title and interest of the Authority in and to the Financing Agreement and the payments thereunder and the security for such payments have been assigned by the Authority to the Authority Trustee, and the Bonds have been delivered by the Company on behalf of the Authority directly to the Authority Trustee, as assignee, as security for the payment of the principal of, and premium, if any, and interest on, the Authority Bonds. The Authority Trustee may not sell, assign or otherwise transfer the Bonds except for a transfer of the entire outstanding principal amount thereof to its successor as Trustee under the Authority Indenture, which successor and each subsequent successor shall hold such Bonds subject to the same restriction on transfer.

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

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

The Bonds are redeemable only as follows:

(i) The Bonds are subject to redemption prior to maturity, at the option of the Company, on or after November 1, 2015, in whole or in part, at a redemption price of 100% of the principal amount of the Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption.

(j) The Bonds are also subject to redemption at the direction of the Company, in whole, at any time prior to maturity, at a redemption price of 100% of the principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, at any time the Authority Series B Bonds are subject to extraordinary optional redemption pursuant to Section 7.01(b)(ii) of the Authority Indenture.

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

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

The principal hereof may be declared or may become due prior to its maturity date on the conditions, in the manner and with the effect set forth in the Indenture upon the happening of an event of default, as in the Indenture provided; subject, however, to the right, under certain circumstances,

of the registered owners of a majority in principal amount of Bonds outstanding to annul such declaration.

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

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

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

This Bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, or become valid or obligatory for any purpose, until J.P. Morgan Trust Company, National Association, as Trustee under the Indenture, or a successor trustee thereunder, shall have signed the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, Aqua Pennsylvania, Inc. has caused this Bond to be signed by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated _____, 2005.

Attest: AQUA PENNSYLVANIA, INC.
By: _____

(Assistant) Secretary Vice President and Treasurer

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(Form of Trustee's Certificate)

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

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION
By: _____
Authorized Signer

and;

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

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

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

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I.

REAL ESTATE AND WATER RIGHTS.

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

II.

BUILDINGS AND EQUIPMENT.

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

It is hereby declared by the Company that all property of the kinds described in the next preceding paragraph, whether now owned or hereafter acquired, has been or is or will be owned or acquired with the intention of using the same in carrying on the business or branches of the business of the Company, and it is hereby declared that it is the intention of the Company that

all thereof (except property hereinafter specifically excepted) shall be subject to the lien of the Original Indenture.

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

III.

FRANCHISES AND RIGHTS OF WAY.

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

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IV.

AFTER ACQUIRED PROPERTY.

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

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

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

AND ALSO SAVING AND EXCEPTING from the property hereby mortgaged and pledged, all of the following property (whether now owned by the Company or hereafter acquired by it): All bills, notes and accounts receivable, cash on hand and in banks, contracts, choses in action and leases to others (as distinct from the property leased and without limiting any rights of the Trustee with respect thereto under any of the provisions of the Original Indenture or of any indenture supplemental thereto), all bonds, obligations, evidences of indebtedness, shares of stock and other securities, and certificates or evidences of interest therein, all automobiles, motor trucks, and other like automobile equipment and all furniture, and all equipment, materials, goods, merchandise and supplies acquired for the purpose of sale in the ordinary course of business or for consumption in the operation of any properties of the Company other than any of the foregoing which may be specifically transferred or assigned to or pledged or deposited with the Trustee hereunder or required by the provisions of the Original Indenture or any indenture supplemental thereto so to be; provided, however, that if, upon the happening of a completed default, as specified in Section 1 of Article XI of the Original Indenture, the Trustee or any receiver appointed hereunder shall enter upon and take possession of the mortgaged property, the Trustee or any such receiver may, to the extent permitted by law, at the same time likewise take possession of any and all of the property described in this paragraph then on hand and any and all other property of the Company then on hand, not described or referred to in the foregoing granting clauses, which is used or useful in connection with the business of the Company as a water company or as a water utility, and use and administer the same to the same extent as if such property were part of the mortgaged property, unless and until such completed default shall be remedied or waived and possession of the mortgaged property restored to the Company, its successors or assigns.

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

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

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

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

ARTICLE I.

Form, Authentication and Delivery of the Bonds; Redemption Provisions

SECTION 1. There shall be a forty-fifth series of bonds, limited in aggregate principal amount to \$24,165,000 designated as "Aqua Pennsylvania, Inc., First Mortgage Bonds, 5.00% Series due 2037", a forty-sixth series of bonds, limited in aggregate principal amount to \$25,375,000 designated as "Aqua Pennsylvania, Inc., First Mortgage Bonds, 5.00% Series due 2038" and a forty-seventh series of bonds, limited in aggregate principal amount to \$21,770,000 designated as "Aqua Pennsylvania, Inc. First Mortgage Bonds, 5.00% Series due 2036."

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Interest on the Bonds shall be payable semiannually on May 1 and November 1 of each year (each an "interest payment date"), commencing November 1, 2005. Each Bond shall be dated the date of its authentication and shall bear interest from the interest payment date next preceding the date of the authentication of such Bond (or if such Bond is authenticated after a Record Date as defined below and on or before the succeeding interest payment date, from such succeeding interest payment date, or if such Bond is authenticated on or prior to the record date for the first interest payment date for the Bonds, in which case it shall bear interest from the date of original issuance of the Bonds); provided, however, that, if at the time of authentication of any Bond, interest on the predecessor Bond of such Bond is in default, such Bond shall

bear interest from the date to which interest has been paid, or, if no interest has been paid, from the date of original issuance thereof. The 5.00% Series due 2037 shall be stated to mature (subject to the right of earlier redemption at the prices and dates and upon the terms and conditions hereinafter set forth) on November 1, 2037 and shall bear interest at the rate of 5.00%. The 5.00% Series due 2038 shall be stated to mature (subject to the right of earlier redemption at the prices and dates and upon the terms and conditions hereinafter set forth) on November 1, 2038 and shall bear interest at the rate of 5.00%. The 5.00% Series due 2036 shall be stated to mature (subject to the right of earlier redemption at the prices and dates and upon the terms and conditions hereinafter set forth) on November 1, 2036 and shall bear interest at the rate of 5.00%.

The Bonds of each series shall be issuable only as registered bonds without coupons, shall be in the form hereinabove recited, in the denomination of Five Thousand Dollars (\$5,000) or any integral multiple thereof, shall be lettered "R-1" and shall bear such numbers as the Company may reasonably require.

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

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

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The Bonds are being issued by the Company to secure the obligation of the Company to pay to or for the account of the Authority an amount equal to the principal of, at maturity or earlier redemption, and interest on, the Authority Bonds pursuant to the Financing Agreement. The Authority Bonds are being sold to finance the refunding of the Prior Bonds.

The Authority Bonds are to be issued under the Authority Indenture and the right, title and interest of the Authority in and to the Financing Agreement and the payments thereunder and the security for such payments have been assigned by the Authority to the Authority Trustee, and the Bonds are to be delivered by the Company on behalf of the Authority directly to the Authority Trustee, as assignee, as security for the payment of the principal of, at maturity or earlier redemption, and premium, if any, and interest on, the Authority Bonds. The Authority Trustee may not sell, assign or otherwise transfer the Bonds except for a transfer of the entire outstanding principal amount thereof to its successor as Trustee under the Authority Indenture, which successor and each subsequent successor shall hold the Bonds subject to the same restriction on transfer.

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

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

SECTION 2. The Bonds are redeemable only as follows:

(a) The 5.00% Series due 2037 are subject to redemption prior to maturity on or after November 1, 2015 by the Company, to the extent that the Authority Series A Bonds maturing November 1, 2037 are called for redemption under Section 7.01(a)(i) of the Authority Indenture, and then out of moneys deposited with or held by the Trustee for such purpose, as a whole or in part, at any time in the manner described below, at the redemption price of one hundred percent (100%) of the principal amount to be redeemed, plus interest accrued thereon to the date fixed for redemption;

(b) The 5.00% Series due 2038 are subject to redemption prior to maturity on or after November 1, 2015 by the Company, to the extent that the Authority Series A Bonds maturing November 1, 2038 are called for redemption under Section 7.01(a)(i) of the Authority Indenture, and then out of moneys deposited with or held by the Trustee for such purpose, as a whole or in part, at any time in the manner described below, at the redemption price of one hundred percent (100%) of the principal amount to be redeemed, plus interest accrued thereon to the date fixed for redemption;

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(c) The 5.00% Series due 2036 are subject to redemption prior to maturity on or after November 1, 2015 by the Company, to the extent that the Authority Series B Bonds are called for redemption under Section 7.01(b)(i) of the Authority Indenture, and then out of moneys deposited with or held by the Trustee for such purpose, as a whole or in part, at any time in the manner described below, at the redemption price of one hundred percent (100%) of the principal amount to be redeemed, plus interest accrued thereon to the date fixed for redemption;

(d) The 5.00% Series Bonds due 2037 are subject to redemption at the direction of the Company, in whole, at any time prior to maturity, at a redemption price of 100% of the principal amount to be redeemed, plus interest accrued thereon to the date fixed for redemption, at any time the Authority Series A Bonds maturing November 1, 2037 are subject to extraordinary optional redemption pursuant to Section 7.01(a)(ii) of the Authority Indenture;

(e) The 5.00% Series Bonds due 2038 are subject to redemption at the direction of the Company, in whole, at any time prior to maturity, at a redemption price of 100% of the principal amount to be redeemed, plus interest accrued thereon to the date fixed for redemption, at any time the Authority Series A Bonds maturing November 1, 2038 are subject to extraordinary optional redemption pursuant to Section 7.01(a)(ii) of the Authority Indenture;

(f) The 5.00% Series Bonds due 2036 are subject to redemption at the direction of the Company, in whole, at any time prior to maturity, at a redemption price of 100% of the principal amount to be redeemed, plus interest accrued thereon to the date fixed for redemption, at any time the Authority Series B Bonds are subject to extraordinary optional redemption pursuant to Section 7.01(b)(ii) of the Authority Indenture;

(g) The 5.00% Series Bonds due 2037 are also subject to special mandatory redemption at the direction of the Company, in part, prior to maturity, at a redemption price of 100% of the principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, at such time and in such amount as the Authority Series A Bonds maturing November 1, 2037 are subject to special mandatory redemption pursuant to Section 7.01(a)(iii) of the Authority Indenture.

(h) The 5.00% Series Bonds due 2038 are also subject to special mandatory redemption at the direction of the Company, in part, prior to maturity, at a redemption price of 100% of the principal amount of the bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, at such time and in such amount as the Authority Series A Bonds maturing November 1, 2038 are subject to special mandatory redemption pursuant to Section 7.01(a)(iii) of the Authority Indenture.

(i) The Bonds are also subject to mandatory redemption by the Company in whole if the Trustee shall receive a written demand from the Authority Trustee for redemption of all such Bonds held by the Authority Trustee stating that an "Event of Default" as defined in Section 9.01(a) of the Authority Indenture has occurred and is continuing and that payment of the principal of the Authority Bonds has been accelerated pursuant to Section 9.01(b) of the

Authority Indenture, provided that at the time of notice of such redemption as provided in Section 2 of Article V of the Original Indenture (i) said written demand shall not have been withdrawn by the Authority Trustee, and (ii) no event of default under Section 1 of Article XI of the Original Indenture shall have occurred and be continuing.

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

SECTION 4. In the event any Authority Bonds shall be purchased by the Company, surrendered by the Company to the Authority Trustee for cancellation and cancelled by the Authority Trustee, Bonds corresponding in principal amount to the Authority Bonds so purchased, surrendered and cancelled shall be deemed to have been paid in full.

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

SECTION 6. All Bonds deemed to have been paid in full as provided in Section 4 and 5 of this Article I of this Thirty-Ninth Supplemental Indenture shall be surrendered to the Trustee for cancellation, and the Trustee shall forthwith cancel the same and, in accordance with applicable laws and regulations and the Trustee's policies and procedures, and on the written request of the Company, deliver the same to the Company. In case part of an outstanding Bond shall be deemed to have been partially paid as provided in said Section 4 or Section 5, upon presentation of such Bond at the designated office of the Trustee, the Trustee shall make a notation thereon of the payment of the portion of the principal amount of such Bond so deemed to have been paid unless the registered owner shall elect to surrender such Bond to the Trustee, in which case the Company shall execute and the Trustee shall authenticate and deliver, without charge to the registered owner, Bonds in such authorized denominations as shall be specified by the registered owner for the unpaid balance of the principal amount of such outstanding Bond.

SECTION 7. The 5.00% Series due 2037 in the aggregate principal amount of \$24,165,000, the 5.00% Series due 2038 in the aggregate principal amount of \$25,375,000 and the 5.00% Series due 2036 in the aggregate principal amount of \$21,770,000 may be issued under the provisions of Article IV of the Original Indenture and may forthwith be executed by the Company and delivered to the Trustee and shall be authenticated by the Trustee and delivered to or upon the order of the Company, upon receipt by the Trustee of the resolutions, certificates, opinions or other instruments or all of the foregoing required to be delivered upon the issue of bonds pursuant to the provisions of the Original Indenture.

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ARTICLE II.

Maintenance or Improvement Deposit.

SECTION 1. The Company covenants that it will deposit with the Trustee on or before the March 1 next occurring after the bonds of the 9.89% Series due 2008 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.93% Series due 2013 cease to be outstanding, or on or before the next March 1 next occurring after the bonds of the 9.97% Series due 2018 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.12% Series due 2010 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.29% Series due 2026 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 9.17% Series due 2021 cease to be outstanding, or on or before the next March 1 next occurring after the bonds of the 9.17% Series due 2011 cease to be outstanding, or on or before the March 1 next occurring after the bonds of the 7.15% Series due 2008 cease to be outstanding, or on or before the March 1 next occurring after the bonds of any of the Subseries of the 1995 Medium Term Note Series issued under the Twenty-Ninth Supplemental Indenture

(consisting of the 7.72% Subseries A due 2025, the 6.82% Subseries B due 2005, the 6.89% Subseries C due 2015, and the 6.99% Subseries D due 2006) shall cease to be outstanding, or on or before the March 1 next occurring after bonds of the 6.35% Series due 2025 shall cease to be outstanding, or on or before the March 1 next occurring after the bonds of any of the Subseries of the 1997 Medium Term Note Series issued under the Thirty-First Supplemental Indenture (consisting of the 6.75% Subseries A due 2007 and the 6.14% Subseries C due 2008) cease to be outstanding, or on or before March 1 next occurring after the bonds of 6.00% Series due 2029 cease to be outstanding, or on or before March 1 next occurring after the bonds of any of the Subseries of the 1999 Medium Term Note Series issued under the Thirty-Third Supplemental Indenture (consisting of the 9.53% Subseries D due 2019, the 6.375% Subseries E due 2023, the 8.26% Subseries F due 2022, the 9.50% Subseries G due 2006, the 9.22% Subseries H due 2019, the 8.32% Subseries I due 2022, the 8.14% Subseries J due 2025, the 6.00% Subseries K due 2030, the 5.93% Subseries L due 2012, the 2.65% Subseries M due 2006, the 3.461% Subseries N due 2007, the 5.08% Subseries O due 2015, the 5.17% Subseries P due 2017, the 5.751% Subseries Q due 2019, the 5.751% Subseries R due 2019, the 6.06% Subseries S due 2027, the 6.06% Subseries T due 2027 and the 5.98% Subseries U due 2028) cease to be outstanding, or on or before March 1 next occurring after the bonds of the 5.35% Series due 2031 cease to be outstanding, or on or before March 1 next occurring after the bonds of the 5.55% Series due 2032 cease to be outstanding, or on or before March 1 next occurring after the bonds of the 3.75% Series due 2010 cease to be outstanding, or on or before March 1 next occurring after the bonds of the 5.15% Series due 2032 cease to be outstanding, or on or before March 1 next occurring after the bonds of the 5.05% Series due 2039 cease to be outstanding, whichever is latest, an amount in cash (the "Maintenance or Improvement Deposit") equal to 9% of the Gross Operating Revenues of the Company during the preceding calendar year less, to the extent that the Company desires to take such credits, the following:

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

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

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

SECTION 2. The Company covenants that it will on or before March 1 in each year, beginning with the first deposit made with the Trustee under the provisions of Section 1 of this Article, as long as any of the Bonds are outstanding, deliver to the Trustee the following:

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

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

(ii) 9% of such Gross Operating Revenues;

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

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

Maintenance or Improvement Deposit;

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

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

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

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

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

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

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

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

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

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

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

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SECTION 1. All cash deposited with the Trustee as part of any Maintenance or Improvement Deposit provided for in Section 1 of this Article, may, at the option of the Company, be applied to the purchase of bonds under the provisions of Section 2 of Article X of the Original Indenture or to the redemption of bonds under the provisions of Section 3 of Article X of the Original Indenture or may be withdrawn by the Company at any time to reimburse the Company for the cost of a Net Amount of Available Permanent Additions (excluding, however, from any such Available Permanent Additions all Permanent Additions included in any certificate delivered to the Trustee for the purpose of obtaining a credit against any Maintenance or Improvement Deposit provided for in Section 1 of this Article to the extent that such Permanent Additions have been used for any such credit). The Trustee shall pay to or upon the written order of the Company all or any part of such cash upon the receipt by the Trustee of:

(a) A Resolution requesting such payment; and

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

ARTICLE III.
Covenants of the Company.

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

SECTION 2. The Company covenants and agrees that so long as any of the Bonds are outstanding (a) the Company will not make any Stock Payment if, after giving effect thereto, its retained earnings, computed in accordance with generally accepted accounting principles consistently applied, will be less than the sum of (i) Excluded Earnings, if any, since December 31, 2004, and (ii) \$20,000,000; (b) Stock Payments made more than 40 days after the commencement, and prior to the expiration, of any Restricted Period shall not exceed 65% of the Company's Net Income during such Restricted Period; and (c) the Company will not authorize a Stock Payment if there has occurred and is continuing an event of default under subsections (a) and (b) of Section 1 of Article XI of the Original Indenture.

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

"Capitalization" shall mean the sum of (i) the aggregate principal amount of all Debt at the time outstanding, (ii) the aggregate par or stated value of all capital stock of the Company of all classes at the time outstanding, (iii) premium on capital stock, (iv) capital surplus, and (v) retained earnings.

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

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

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

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

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

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

"Stock Payment" shall mean any payment in cash or property (other than stock of the Company) to any holder of shares of any class of capital stock of the Company as such holder, whether by dividend or upon the purchase, redemption, conversion or other acquisition of such shares, or otherwise.

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

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ARTICLE IV.

The Trustee.

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

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

SECTION 3. Before the Trustee shall be required to foreclose on, or to take control or possession of, the real property or leasehold interest (the "Premises") which may be the subject of any mortgage or mortgages for which the Trustee is mortgagee in connection with the issuance of the Bonds, the Trustee shall be indemnified and held harmless by the holders and/or beneficial owners of the Bonds from and against any and all expense, loss, or liability that may be suffered by the Trustee in connection with any spill, leak or release which may have occurred on or invaded the Premises or any contamination by any Hazardous Substance (hereinafter defined), whether caused by the Company or any other person or entity, including, but not limited to, (1) any and all reasonable expenses that the Trustee may incur in complying with any of the Environmental Statutes (hereinafter defined), (2) any and all reasonable costs that the Trustee may incur in studying or remedying any spill, leak or release which may have occurred on or invaded the Premises or any contamination, (3) any and all fines or penalties assessed upon the Trustee by reason of such contamination, (4) any and all loss of value of the Premises or the improvements thereon by reason of such contamination, and (5) any and all legal fees and costs reasonably incurred by the Trustee in connection with any of the foregoing. As used in this Section, contamination by any Hazardous Substance shall include contamination, arising from the presence, creation, production,

collection, treatment, disposal, discharge, release, storage, transport or transfer of any Hazardous Substance at or from the Premises or any improvements

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thereon. As used in this Section, the term "Hazardous Substance" shall mean petroleum hydrocarbons or any substance which (a) constitutes a hazardous waste or substance under any applicable federal, state or local law, rule, order or regulation now or hereafter adopted; (b) constitutes a "hazardous substance" as such term is defined under the Comprehensive Environmental Response, Compensation and Liability Act, as amended (42 U.S.C. ss.9601 et seq.) and the regulations issued thereunder and any comparable state or local law or regulation; (c) constitutes a "hazardous waste" under the Resource Conservation and Recovery Act, (42 U.S.C. ss.6991) and the regulations issued thereunder and any comparable state or local law or regulation; (d) constitutes a pollutant, contaminant, chemical or industrial, toxic or hazardous substance or waste as such terms are defined under Federal Clean Water Act, as amended (33 U.S.C. ss.1251 et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. ss.2601 et seq.), or any comparable state or local laws or regulations; (e) exhibits any of the characteristics enumerated in 40 C.F.R. Sections 261.20 - 261.24, inclusive; (f) those extremely hazardous substances listed in Section 302 of the Superfund Amendments and Reauthorization Act of 1986 (Public Law 99-499, 100 Stat. 1613) which are present in threshold planning or reportable quantities as defined under such act; (g) toxic or hazardous chemical substances which are present in quantities which exceed exposure standards as those terms are defined under Sections 6 and 8 of the Occupational Safety and Health Act, as amended (29 U.S.C. ss.655 and 657 and 29 C.F.R. Part 1910, subpart 2); and (h) any asbestos, petroleum-based products or any Hazardous Substance contained within or release from any underground or aboveground storage tanks. As used in this Section, the term "Environmental Statutes" shall mean the statutes, laws, rules, orders and regulations referred to in (a) through (g) inclusive in the preceding sentence.

ARTICLE V.
Miscellaneous.

SECTION 1. This instrument is executed and shall be construed as an indenture supplemental to the Original Indenture, and shall form a part thereof, and except as hereby supplemented, the Original Indenture and the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth, Tenth, Eleventh, Twelfth, Thirteenth, Fourteenth, Fifteenth, Sixteenth, Seventeenth, Eighteenth, Nineteenth, Twentieth, Twenty-First, Twenty-Second, Twenty-Third, Twenty-Fourth, Twenty-Fifth, Twenty-Sixth, Twenty-Seventh, Twenty-Eighth, Twenty-Ninth, Thirtieth, Thirty-First, Thirty-Second, Thirty-Third, Thirty-Fourth, Thirty-Fifth, Thirty-Sixth, Thirty-Seventh and Thirty-Eighth Supplemental Indentures are hereby confirmed. All references in this Thirty-Ninth Supplemental Indenture to the Original Indenture shall be deemed to refer to the Original Indenture as heretofore amended and supplemented, and all terms used herein and not specifically defined herein shall be taken to have the same meaning as in the Original Indenture, as so amended, except in the cases where the context clearly indicates otherwise.

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

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J.P. Morgan Trust Company, National Association
Institutional Trust Services
c/o JPMorgan Chase Bank, N.A.
4 NY Plaza
New York, New York 10004
Attention: Aqua Pennsylvania, Inc. Administrator
Telecopy: (212) 623-6205

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

Aqua Pa	Tax Exempt	5.35%	11/01/01	10/01/31	30,000,000	30,000,000
Aqua Pa	Tax Exempt	5.55%	06/01/02	09/01/32	25,000,000	25,000,000
Shenango	Tax Exempt	6.00%	10/01/99	06/01/29	25,000,000	25,000,000
Aqua Pa	Tax Exempt	6.00%	06/28/00	07/01/30	18,360,000	18,360,000
Aqua Pa	Tax Exempt	6.35%	08/31/95	08/15/25	22,000,000	22,000,000
Roaring Creek	Tax Exempt	5.05%	11/30/04	10/01/39	14,000,000	14,000,000
Aqua Pa	Tax Exempt	3.75%	12/31/02	06/01/10	3,200,000	2,400,000
Aqua Pa	Tax Exempt	5.15%	06/26/02	09/01/32	25,000,000	25,000,000

162,560,000 161,760,000

Aqua Pa	Taxable	5.93%	06/26/02	07/01/12	25,000,000	25,000,000
Aqua Pa	Taxable	6.14%	01/15/98	02/01/08	10,000,000	10,000,000
Aqua Pa	Taxable	6.21%	10/25/01	11/01/11	15,000,000	15,000,000
Aqua Pa	Taxable	6.75%	07/15/97	08/15/07	10,000,000	10,000,000
Aqua Pa	Taxable	6.82%	06/29/95	06/15/05	10,000,000	10,000,000
Aqua Pa	Taxable	6.89%	12/19/95	12/15/15	12,000,000	12,000,000
Aqua Pa	Taxable	6.99%	04/12/96	04/15/06	10,000,000	10,000,000
Aqua Pa	Taxable	7.15%	04/23/93	04/01/08	22,000,000	6,000,000
Aqua Pa	Taxable	7.72%	05/19/95	05/15/25	15,000,000	15,000,000
Shenango	Taxable	8.14%	11/01/95	11/01/25	4,000,000	4,000,000
Susquehanna	Taxable	8.26%	11/01/92	11/01/22	1,500,000	1,500,000
Shenango	Taxable	8.32%	11/01/92	11/01/22	3,500,000	3,500,000
Aqua Pa	Taxable	9.12%	01/12/90	01/15/10	20,000,000	20,000,000
Aqua Pa	Taxable	9.17%	11/01/91	09/15/21	8,000,000	6,800,000
Aqua Pa	Taxable	9.17%	11/01/91	09/15/11	5,000,000	5,000,000
Shenango	Taxable	9.22%	11/15/89	11/15/19	3,500,000	2,293,100
Aqua Pa	Taxable	9.29%	11/01/91	09/15/26	12,000,000	12,000,000
Shenango	Taxable	9.50%	09/12/86	09/12/06	3,000,000	1,080,000
Roaring Creek	Taxable	9.53%	12/15/89	12/15/19	4,000,000	4,000,000
Aqua Pa	Taxable	9.89%	06/01/88	06/01/08	5,000,000	5,000,000
Aqua Pa	Taxable	9.93%	06/01/88	06/01/13	5,000,000	5,000,000
Aqua Pa	Taxable	9.97%	06/01/88	06/01/18	5,000,000	5,000,000
Aqua Pa	Taxable	2.65%	05/10/04	05/15/06	5,000,000	5,000,000
Aqua Pa	Taxable	3.461%	05/10/04	05/15/07	12,000,000	12,000,000
Aqua Pa	Taxable	5.08%	05/10/04	05/15/15	20,000,000	20,000,000
Aqua Pa	Taxable	5.17%	05/10/04	05/10/17	7,000,000	7,000,000
Aqua Pa	Taxable	5.751%	05/10/04	05/15/19	15,000,000	15,000,000
Aqua Pa	Taxable	5.751%	05/10/04	05/15/19	5,000,000	5,000,000
Aqua Pa	Taxable	6.06%	05/10/04	05/10/27	15,000,000	15,000,000
Aqua Pa	Taxable	6.06%	05/10/04	05/15/27	5,000,000	5,000,000
Aqua Pa	Taxable	5.98%	05/10/04	05/15/28	3,000,000	3,000,000

295,500,000 275,173,100

TOTAL FIRST MORTGAGE BONDS

458,060,000 436,933,100

EXHIBIT B

RECORDING INFORMATION

BUCKS, CHESTER, DELAWARE AND MONTGOMERY COUNTIES

Indenture	Date of Recording	Bucks		Chester		Delaware		Montgomery	
		Book	Page	Book	Page	Book	Page	Book	Page
Original	2/20/41	496	1	H-13.Vol.307	20	1034	1	1625	1
First Supplemental	8/26/48	632	1	F-16.Vol.380	200	1668	169	2031	257
Second Supplemental	7/1/52	768	438	18.Vol.425	186	1962	376	2360	517
Third Supplemental	11/25/53	895	1	18.Vol.442	325	2052	1	2493	1
Fourth Supplemental	1/9/56	1089	155	Z-20.Vol.499	1	2199	1	2722	425
Fifth Supplemental	3/20/57	1181	316	B-22.Vol.536	601	2294	50	2850	335
Sixth Supplemental	5/9/58	1254	1	G-23	201	2380	039	2952	289
Seventh Supplemental	9/25/59	1332	509	B-25	109	2442	1	3090	249
Eighth Supplemental	5/9/61	-	-	Z-26	17	2526	312	-	-
Eighth Supplemental	5/10/61	1409	225	-	-	-	-	3249	289
Ninth Supplemental	4/10/62	1458	372	G-28	126	2581	463	3307	169
Tenth Supplemental	3/19/64	1568	1	M-30	967	2976	1043	3310	237
Eleventh Supplemental	11/4/66	1655	695	Q-32	6682	762	223	3549	129
Twelfth Supplemental	1/23/68	1691	531	N-33	219	2792	708	3542	315
Thirteenth Supplemental	7/2/70	1763	1167	D-35	80	2850	301	3687	23
Fourteenth Supplemental	11/5/70	1774	331	K-35	713	2858	3113	700	548
Fifteenth Supplemental	12/11/72	1869	196	O-37	998	2926	550	3786	96

Sixteenth Supplemental	5/28/75	1979	14	E-44	77	3005	511	4010	307
Seventeenth Supplemental	12/18/77	2072	683	L-51	1	3072	43	5002	436
Eighteenth Supplemental	4/29/77	2082	567	B-52	344	3078	728	5003	291
Nineteenth Supplemental	6/23/80	2303	714	J-62	92	3261	293	5030	502
Twentieth Supplemental	8/2/83	2487	370	D-72	1	96	810	5662	1045
Twenty-First Supplemental	8/27/85	2690	806	54	550	-	-	5864	1347
Twenty-First Supplemental	8/28/85	-	-	-	-	264	159	-	-
Twenty-Second Supplemental	4/22/86	2774	160	263	275	326	592	5944	360
Twenty-Third Supplemental	4/1/87	2960	693	-	-	-	-	-	-

Indenture	Date of Recording	Bucks		Chester		Delaware		Montgomery	
		Book	Page	Book	Page	Book	Page	Book	Page
Twenty-Third Supplemental	4/2/87	-	-	680	337	447	1807	6115	602
Twenty-Fourth Supplemental	7/25/88	3199	1095	1224	389	0593	0585	6324	143
Twenty-Fifth Supplemental	1/12/90	0136	0250	1848	205	731	1571	6538	376
Twenty-Sixth Supplemental	11/8/91	369	2190	2660	205	894	2241	6780	891
Twenty-Seventh Supplemental	6/29/92	0487	1829	3055	182	0969	2023	6918	302
Twenty-Eighth Supplemental	4/22/93	0652	1335	3542	1542	1081	0852	7112	0539
Twenty-Ninth Supplemental	3/30/95	1045	1872	3875	1368	1349	0829	7561	1155
Thirtieth Supplemental	8/30/95	1111	0798	3932	0471	1393	2255	7631	0689
Thirty-First Supplemental	7/11/97	1421	2196	4201	2133	1607	138	7968	779
Thirty-Second Supplemental	10/6/99	1939	421	4646	642	1936	1207	8548	1067
Thirty-Third Supplemental	11/30/99	1970	1573	4675	1272	1936	1207	8548	1067
Thirty-Fourth Supplemental	10/31/01	2471	1207	5101	2142	2288	0174	9225	761
Thirty-Fifth Supplemental	1/10/02	2541	765	5152	818	2329	1019	9314	1079
Thirty-Sixth Supplemental	6/5/02	2731	1881	5296	356	2448	1862	9593	1416
Thirty-Seventh Supplemental	12/27/02	3036	1425	12/31/02 B-5514	1552	12/31/02 02631	0294	12/30/02 10018	0204
Thirty-Eighth Supplemental	11/9/04	4196	1557	11/23/04 B-6342	800	11/22/04 B-3348	1698	11/22/04 B-00020	0237

BERKS COUNTY

Indenture	Date of Recording	Book	Page
Original	8/16/99	3113	707
Thirty-Second Supplemental	10/6/99	3132	1510
Thirty-Third Supplemental	11/30/99	3149	1260
Thirty-Fourth Supplemental	10/31/01	3421	896
Thirty-Fifth Supplemental	1/10/02	3461	417
Thirty-Sixth Supplemental	6/4/02	3544	1357
Thirty-Seventh Supplemental	12/30/02	3664	0001
Thirty-Eighth Supplemental	11/30/04	4197	988

BRADFORD, COLUMBIA, LAWRENCE, MERCER, NORTHUMBERLAND, PIKE, SCHUYLKILL AND WAYNE COUNTIES

BRADFORD				COLUMBIA			LAWRENCE			MERCER		
Indenture	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Rec.	Book	Page
Thirty-Fifth Supplemental	12/21/01		200115497					1688	744			
Thirty-Sixth Supplemental	07/04/02		200207151									
Thirty-Seventh Supplemental	12/30/02		200216472									
Thirty-Eighth Supplemental	11/22/04		200415112	11/30/04	200413567		11/24/04	1992	0291	11/24/04	2004020435	

NORTHUMBERLAND				PIKE			SCHUYLKILL			WAYNE		
Indenture	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Rec.	Book	Page
Thirty-Fifth Supplemental		1404	246		1909	2328		1413	1		1911	1
Thirty-Sixth Supplemental		1445	028					1584	0259			
Thirty-Seventh Supplemental	12/30/02	1500	911	12/30/02	1959	2447	12/27/02	2022	1006	12/30/02	2136	148
Thirty-Eighth Supplemental	11/22/04	1714	748	11/23/04	2081	1757	11/24/04	2126	569	11/23/04	2658	252

ADAMS, CARBON, CUMBERLAND, FOREST, JUNIATA, LACKAWANNA, LUZERNE, MONROE, NORTHAMPTON, SNYDER, SUSQUEHANNA, WAYNE AND WYOMING COUNTIES

ADAMS				CARBON			CUMBERLAND			FOREST		
Indenture	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Rec.	Book	Page
Thirty-Eighth Supplemental	11/23/04	3781	1	11/30/04	200416309		11/22/04	2004047145		11/29/04	231	306

JUNIATA				LACKAWANNA			LUZERNE			MONROE		
Indenture	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Recording	Book	Page
Thirty-Eighth Supplemental	11/22/04	345	1047	11/29/04	200441665		11/23/04	3004	294775	11/24/04	2208	7674

NORTHAMPTON				SNYDER			SUSQUEHANNA		
Indenture	Date of Rec.	Book	Page	Date of Rec.	Book	Page	Date of Rec.	Book	Page

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WYOMING			
Indenture	Date of Recording	of Book	Page
Thirty-Eighth Supplemental	11/24/04	0513	0774

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EXHIBIT C

County and Grantor	Company's Real Estate Index No.	Date of Deed	Book	Recorded Page	Tax Parcel I.D. Number
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[See Attached]

J.P. Morgan Trust Company National Association, Mortgagee and Trustee named in the foregoing Thirty-Ninth Supplemental Indenture, hereby certifies that its precise name and the post office address of its Institutional Trust Services Group in Philadelphia, Pennsylvania are as follows:

J.P. Morgan Trust Company, National Association
Institutional Trust Services
c/o JPMorgan Chase Bank, N.A.
4 NY Plaza
New York, New York 10004
Attention: Aqua Pennsylvania, Inc.
Administrator
Telecopy: (212) 623-6205

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION

By: PAUL SCHMALZEL

Authorized Officer

COMMONWEALTH OF PENNSYLVANIA

COUNTY OF MONTGOMERY

On the 11th day of May, 2005, before me, the Subscriber, a Notary Public for the Commonwealth of Pennsylvania, personally appeared Kathy L. Pape, who acknowledged herself to be the Vice President and Treasurer of Aqua Pennsylvania, Inc., a corporation, and that she as such Vice President and Treasurer, being authorized to do so, executed the foregoing Thirty-Ninth Supplemental Indenture as and for the act and deed of said corporation and for the uses and purposes therein mentioned, by signing the name of the corporation by herself as such officer.

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

[NOTARIAL SEAL]

MARIA C. TORRES

STATE OF NEW YORK

COUNTY OF NEW YORK

On the 11th day of May, 2005 before me, the Subscriber, a Notary Public for the Commonwealth of Pennsylvania, personally appeared Paul J. Schmalzel, who acknowledged himself to be an authorized officer of J.P. Morgan Trust Company, National Association, Trustee, a national banking association, and that he as such authorized officer, being authorized to do so, executed the foregoing Thirty-Ninth Supplemental Indenture as and for the act and deed of said national banking association and for the uses and purposes therein mentioned by signing the name of said national banking association by herself as such officer.

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

[NOTARIAL SEAL]

EMILY FAYAN

BOND PURCHASE AGREEMENT

\$71,310,000

DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

\$49,540,000

WATER FACILITIES REVENUE BONDS
 (AQUA PENNSYLVANIA, INC. PROJECT)
 SERIES A OF 2005

\$21,770,000

WATER FACILITIES REVENUE REFUNDING BONDS
 (AQUA PENNSYLVANIA, INC. PROJECT)
 SERIES B OF 2005

Bond Purchase Agreement dated May 10, 2005, among the DELAWARE COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY (the "Authority"), AQUA PENNSYLVANIA, INC., a Pennsylvania corporation (the "Company"), and SOVEREIGN SECURITIES CORPORATION, LLC, a Pennsylvania limited liability company (the "Underwriter").

1. BACKGROUND.

(a) The Authority proposes to enter into a Financing Agreement (the "Financing Agreement") dated as of May 1, 2005 with the Company, under which the Authority will agree to loan to the Company funds to (i) finance certain capital costs of numerous acquisitions, constructions, modifications, expansions, installations and replacements of water distribution, treatment and related operating systems located in the counties of Berks, Bucks, Chester, Delaware and Montgomery in Pennsylvania (the "2005A Facilities") that are part of the Company's system (the "System") for the distribution of water to its customers, and related financing costs (collectively, the "Construction Project"); and (ii) currently refund (the "Refunding Project") the Authority's Water Facilities Revenue Bonds (Philadelphia Suburban Water Company Project), Series of 1995 (the "1995 Bonds"), which were issued to finance certain capital costs of numerous acquisitions, constructions, modifications, expansions, installations and replacements of water distribution, treatment and related operating systems located in the counties of Bucks, Chester, Delaware and Montgomery in Pennsylvania (the "2005B Facilities" and, together with the 2005A Facilities, the "Facilities") and pay costs of issuance of the 1995 Bonds. To finance the loan under the Financing Agreement, the Authority proposes to issue and sell \$49,540,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project), Series A of 2005 (the "Series A Bonds") and \$21,770,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Refunding Bonds (Aqua Pennsylvania, Inc. Project), Series B of 2005 (the "Series B Bonds" and, together with the Series A Bonds, the "2005 Bonds") to the Underwriter, who will in turn reoffer the 2005 Bonds for sale to the public.

(b) The 2005 Bonds will be issued pursuant to the Pennsylvania Economic Development Financing Law, Act of August 23, 1967, P.L. 251, as amended and supplemented (the "Act"), a resolution adopted by the Authority on April 12, 2005 (the "Authority Resolution") and under a Trust Indenture dated as of May 1, 2005 (the "Trust Indenture"), between the Authority and Wachovia Bank, National Association, as trustee (the "Trustee"). The 2005 Bonds will have such terms as are set forth in Schedule I attached hereto.

The Series A Bonds will be payable out of payments by the Company under the Financing Agreement, including payments under its two First Mortgage Bonds issued with respect to the Series A Bonds in the aggregate principal amount of \$49,540,000 (collectively, the "2005A First Mortgage Bond"). The Series B Bonds will be payable out of payments by the Company under the Financing Agreement, including payments under its First Mortgage Bond issued with respect to the Series B Bonds in the principal amount of \$21,770,000 (the "2005B First Mortgage Bond" and, together with the 2005A First Mortgage Bond, the "First Mortgage Bonds"). The First Mortgage Bonds will be issued under and secured by the Company's Indenture of Mortgage dated as of January 1, 1941 (the "Indenture of Mortgage"), from the Company to J.P. Morgan Trust Company, National Association, as trustee (successor to The Pennsylvania Company for Insurance on Lives and Granting Annuities, The Pennsylvania Company for Banking and Trusts, The First Pennsylvania Banking and Trust Company, First Pennsylvania Bank, N.A., CoreStates Bank, N.A., Mellon Bank, N.A. and Chase Manhattan Trust Company, National Association) (the "Mortgage Trustee"), as presently amended and supplemented and as to be further supplemented by a Thirty-Ninth Supplemental Indenture of Mortgage to be dated as of May 1, 2005 (the

"Thirty-Ninth Supplemental Mortgage," which together with the Indenture of Mortgage, as amended and supplemented, is referred to hereinafter as the "Mortgage"). Each First Mortgage Bond will be issued in the same principal amount and will mature on the same date and bear interest at the same rate as the series of 2005 Bonds that it secures. All of the Authority's rights under the Financing Agreement to receive and enforce repayment of its loan to the Company and to enforce payment of the 2005 Bonds, including all of the Authority's rights to the First Mortgage Bonds, and all of the Authority's rights to moneys and securities in the Project Funds, the Revenue Funds and the Debt Service Funds (and the accounts within all such Funds applicable to the 2005 Bonds) established by the Trust Indenture, except for the Authority's rights to certain fees and reimbursements for expenses, indemnification and notice thereunder and rights relating to amendments of and notices under the Financing Agreement, will be assigned to the Trustee as security for the 2005 Bonds pursuant to the Trust Indenture.

(c) The proceeds of the Series B Bonds will be deposited with J.P. Morgan Trust Company, National Association, as trustee and escrow agent for the 1995 Bonds (the "Escrow Agent") pursuant to an Escrow Deposit Agreement dated as of May 1, 2005 (the "Escrow Agreement") among the Authority, the Company, the Escrow Agent and the Trustee. Such proceeds will be invested in United States Government securities and applied to pay the 1995 Bonds in full on August 15, 2005.

(d) The Construction Project and the Refunding Project (collectively, the "Project") will finance and refinance, respectively, the acquisition, construction, installation and equipping of facilities for the furnishing of water for purposes of Section 142(a)(4) of the Internal Revenue Code of 1986, as amended (the "Code"), so that the interest on the 2005 Bonds will not be includable in gross income for federal income tax purposes under the Code and the Underwriter may offer the 2005 Bonds for sale without registration under the Securities Act of 1933, as amended (the "1933 Act) or qualification of the Trust Indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act").

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(e) A Preliminary Official Statement dated April 29, 2005, including the Appendices thereto and all documents incorporated therein by reference (the "Preliminary Official Statement"), has been supplied to the parties hereto, and a final Official Statement to be dated the date hereof, including the Appendices thereto and all documents incorporated therein by reference, prepared for use in such offerings will be supplied to the parties hereto as soon as it is available, subject to Section 10 hereof (such final Official Statement, as it may be amended or supplemented with the consent of the Authority, the Underwriter and the Company, is hereinafter referred to as the "Official Statement").

(f) The 2005 Bonds will be insured by a bond insurance policy (the "Bond Insurance Policy") issued by Financial Guaranty Insurance Company (the "Bond Insurer").

2. PURCHASE, SALE AND CLOSING. On the terms and conditions herein set forth, the Underwriter will buy from the Authority, and the Authority will sell to the Underwriter, all (but not less than all) of the 2005 Bonds at a purchase price equal to \$70,929,354.65, which is equal to the \$71,310,000 aggregate principal amount of the 2005 Bonds, plus original issue premium of \$689,004.65, less the underwriting discount of \$1,069,650. Payment for the 2005 Bonds shall be made in immediately available funds to the Trustee for the account of the Authority. Closing (the "Closing") will be at the offices of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, bond counsel, at 10:00 a.m., Eastern Daylight Time, on May 19, 2005 or at such other date, time or place or in such other manner as may be agreed on by the parties hereto. The 2005 Bonds will be delivered as fully registered bonds, with one bond for each series, each in the aggregate principal amount of the applicable series in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), with CUSIP numbers printed thereon, and shall conform in all respects to DTC's Book-Entry Only System. Delivery of the 2005 Bonds to DTC will be made by delivering the 2005 Bonds to the Trustee utilizing the DTC FAST system. If the Underwriter so requests, the 2005 Bonds shall be made available to the Underwriter (prior to their delivery to DTC) in Philadelphia, Pennsylvania at least three full business days before the Closing for purposes of inspection.

The Underwriter agrees to make a bona fide public offering of the 2005 Bonds at the initial offering prices or yields set forth in the Official Statement; provided, however, that the Underwriter reserves the right (and the Authority and the Company hereby expressly acknowledge such right): (i) to make concessions to dealers; (ii) to effect transactions that stabilize or maintain the market price of the 2005 Bonds above that which might otherwise prevail in the open market and to discontinue at any time such stabilizing transactions; and (iii) to change such initial offering prices, all as the Underwriter shall deem necessary in connection with the marketing of the 2005 Bonds.

3. AUTHORITY'S REPRESENTATIONS AND WARRANTIES. The Authority makes the following representations and warranties, all of which shall survive Closing; that:

(a) The Authority is a body politic and corporate, duly created and existing under the Constitution and laws of the Commonwealth of Pennsylvania (the "Commonwealth"), and has, and at the date of Closing will have, full legal right, power and authority to: (i) enter into this Bond Purchase Agreement; (ii) execute and deliver the 2005 Bonds, the Trust Indenture, the Financing Agreement, this Bond Purchase Agreement, the Escrow Agreement and the Authority's tax certificate and the other various certificates executed by the Authority in connection therewith (collectively, with the Authority Resolution, the "Authority Financing Documents"); (iii) issue, sell and deliver the 2005 Bonds to the Underwriter as provided herein; and (iv) carry out and consummate the transactions contemplated by the Authority Financing Documents and the Official Statement to be carried out and/or consummated by it;

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(b) The Authority Resolution was duly adopted at a public meeting of the Authority at which a quorum was present and acted throughout; and the Authority Resolution is in full force and effect and has not been amended, repealed or superseded in any way;

(c) The sections entitled "INTRODUCTORY STATEMENT" (insofar as it relates to the Authority), "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION" (solely insofar as the information set forth therein relates to the Authority) contained in the Preliminary Official Statement as of its date did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(d) The sections entitled "INTRODUCTORY STATEMENT" (insofar as it relates to the Authority), "THE AUTHORITY" and "ABSENCE OF MATERIAL LITIGATION" (solely insofar as the information set forth therein relates to the Authority) contained in the Official Statement as of its date does not or will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

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

(f) The Authority has duly authorized and approved the Preliminary Official Statement and the Official Statement; and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Authority Financing Documents;

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

(h) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction that would constitute a condition precedent to the Authority's legal ability to issue the 2005 Bonds or to the Authority's performance of its obligations hereunder and under the

Authority Financing Documents have been obtained or will be obtained prior to the Closing;

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(i) The 2005 Bonds, when issued, authenticated and delivered in accordance with the Trust Indenture and sold to the Underwriter as provided herein, will be validly issued and will be valid and binding limited obligations of the Authority enforceable against the Authority in accordance with their terms (except as enforcement of remedies may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws or legal or equitable principles affecting the enforcement of creditors' rights ("Creditors' Rights Limitations"));

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

(k) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, or public board or body, pending or, to the knowledge of the Authority after due inquiry, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the 2005 Bonds or of the revenues or assets of the Authority pledged or to be pledged to pay the principal of and interest on the 2005 Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Authority Financing Documents or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the power or authority of the Authority with respect to the issuance of the 2005 Bonds or the execution, delivery or performance of any of the Authority Financing Documents, wherein an unfavorable decision, ruling or finding would affect in any way the validity or enforceability of any of the Authority Financing Documents;

(l) The net proceeds received from the 2005 Bonds and applied in accordance with the Trust Indenture and Financing Agreement shall be used in accordance with the Act as described in the Official Statement;

(m) The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certifications may not be relied upon; and

(n) Any certificate signed by any of the authorized officers of the Authority and delivered to the Underwriter shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

4. COMPANY'S REPRESENTATIONS AND WARRANTIES. The Company makes the following representations and warranties on and as of the date hereof and as of the date of Closing, all of which will survive the Closing:

(a) The Company has not sustained since December 31, 2004 any material loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree; and since the respective dates as of which information is given in the Official Statement, there have not been any material changes in the outstanding capital stock or the long-term debt of the Company or any material adverse change, or a development involving a prospective material adverse change, in or affecting the general affairs, management, financial position, stockholders' equity or results of operations of the Company, otherwise than as set forth or contemplated in the Official Statement;

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

(c) Each First Mortgage Bond has been duly authorized; and, when issued and delivered as contemplated by this Bond Purchase Agreement, will

have been duly executed, authenticated, issued and delivered and will constitute a valid and legally binding obligation of the Company entitled to the benefits provided by the Mortgage;

(d) The Original Indenture has been duly authorized, executed and delivered by the Company, and the Thirty-Ninth Supplemental Mortgage has been duly authorized by the Company. When the Thirty-Ninth Supplemental Mortgage, in substantially the form approved by the Company, has been executed and delivered by the Company and assuming due authorization and execution by the Mortgage Trustee, and recorded as required by law, the Mortgage (i) will constitute a valid and legally binding instrument enforceable against the Company in accordance with its terms except as enforceability may be limited by Creditors' Rights Limitations; (ii) will constitute a direct, valid and enforceable first mortgage lien (except as enforceability of such lien may be limited by Creditors' Rights Limitations) upon all of the properties and assets of the Company (not heretofore released as provided for in the Mortgage) specifically or generally described or referred to in the Mortgage as being subject to the lien thereof, excepting permitted liens under the Mortgage and excepting property and assets that the Mortgage expressly excludes from the lien thereof; and (iii) will create a mortgage upon all properties and assets acquired by the Company after the execution and delivery of the Thirty-Ninth Supplemental Mortgage and required to be subjected to the lien of the Mortgage pursuant thereto when so acquired, except for permitted liens under the Mortgage. The Original Indenture has been and the Thirty-Ninth Supplemental Mortgage will be duly filed, recorded or registered in each place in the Commonwealth in which such filing, recording or registration was or is required to protect and preserve the lien of the Mortgage; and all necessary approvals of regulatory authorities, commissions and other governmental bodies having jurisdiction over the Company required to subject the mortgaged properties and assets or trust estate (as defined in the Mortgage) to the lien of the Mortgage have been duly obtained;

(e) In each of the following cases with such exceptions as are not material and do not interfere with the conduct of the business of the Company, the Company has good and marketable title to (i) all of its real property currently held in fee simple; and (ii) all of its other interests in real property (other than certain rights of way, easements, occupancy rights, riparian and flowage rights, licenses, leaseholds, and real property interests of a similar nature). In each case such title is free and clear of all liens, encumbrances and defects except such as may be described in the Official Statement, the lien of the Mortgage, permitted liens under the Mortgage or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company. Any real property and buildings held under lease by the Company are held by it under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company;

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

(g) The issue and sale of the 2005 Bonds, the issue and delivery of the First Mortgage Bonds and the compliance by the Company with all of the applicable provisions of the First Mortgage Bonds and the Mortgage and the execution, delivery and performance by the Company of the Thirty-Ninth Supplemental Mortgage, the Financing Agreement, this Bond Purchase Agreement,

the Escrow Agreement and the Continuing Disclosure Agreement will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance (other than the lien of the Mortgage) upon any of the property or assets of the Company pursuant to the terms of any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company is a party or by which the Company is bound or to which any of the property or assets of the Company are subject, nor will such action result in a violation of the provisions of the Articles of Incorporation, as amended, or the Bylaws of the Company or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its property. No consent, approval, authorization, order, registration or qualification of or with any court or any such regulatory authority or other governmental body (other than those already obtained) is required to be obtained by the Company for the issue and sale of the 2005 Bonds, the issue and delivery of the First Mortgage Bonds, the execution, delivery and performance by the Company of this Bond Purchase Agreement, the Financing Agreement, the Thirty-Ninth Supplemental Mortgage, the First Mortgage Bonds, the Escrow Agreement and the Continuing Disclosure Agreement, or the consummation by the Company of the other transactions contemplated by this Bond Purchase Agreement or the Mortgage;

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

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

(j) There are no legal or governmental proceedings pending to which the Company is a party or to which any property of the Company is subject, other than as set forth in the Official Statement and other than litigation incident to the kind of business conducted by the Company, wherein an unfavorable ruling, decision or finding is likely that would have a material adverse effect on the financial position, stockholders' equity or results of operations of the Company; and, to the best of the Company's knowledge after due diligence, no such proceedings are threatened by governmental authorities or threatened by others;

(k) (i) The Project consists of either land or property of a character subject to depreciation for federal income tax purposes and will be used to furnish water that is or will be made available to members of the general public (including electric utility, industrial, agricultural, or commercial users); (ii) the rates for the furnishing or sale of the water have been established or approved by a State or political subdivision thereof, by an agency or instrumentality of the United States, or by a public service or public utility commission or other similar body of any State or political subdivision thereof; and (iii) all other information supplied by the Company to the Underwriter with respect to the exclusion from gross income pursuant to Section 103 of the Code of the interest on the 2005 Bonds is correct and complete;

(l) The Company has not, within the immediately preceding ten (10) years, defaulted in the payment of principal or interest on any of its bonds, notes or other securities, or any legally authorized obligation issued by it; and

(m) The information with respect to the Company and the Project and the descriptions of the First Mortgage Bonds and the Mortgage contained in the Preliminary Official Statement and the Official Statement (including appendices A and B thereto) do not contain an untrue statement of a material fact or omit to state a material fact necessary to make such information and descriptions, in the light of the circumstances under which they were made, not misleading.

5. AUTHORITY'S COVENANTS. The Authority will:

(a) furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request to qualify the 2005 Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States of America as the Underwriter may designate and will assist, if necessary therefor, in the continuance of such

qualifications in effect so long as required for distribution of the 2005 Bonds; provided, however, that the Authority shall in no event be required to file a general consent to suit or service of process or to qualify as a foreign corporation or as a dealer in securities in any such state or other jurisdiction;

(b) not, on its part, amend or supplement the Official Statement without prior notice to and the consent of the Underwriter and the Company and will advise the Underwriter and the Company promptly of the institution of any proceedings by any governmental agency or otherwise affecting the use of the Official Statement in connection with the offer and sale of the 2005 Bonds; and

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(c) refrain from knowingly taking any action (and permitting any action with regard to which the Authority may exercise control) which would result in the loss of the exclusion from gross income for federal income tax purposes of interest on the 2005 Bonds referred to under the caption "TAX MATTERS" in the Official Statement.

6. COMPANY'S COVENANTS. The Company agrees that it will:

(a) refrain from knowingly taking any actions (and from permitting any action with regard to which the Company may exercise control) that would result in the loss of the exclusion from gross income for federal tax purposes of interest on the 2005 Bonds;

(b) indemnify and hold harmless the Authority, its members, directors, officers, agents, attorneys, and employees and the Underwriter, its officers, directors, officials, agents, attorneys, employees, and each person, if any, who controls the Underwriter within the meaning of Section 15 of the 1933 Act or Section 20 of the Securities Exchange Act of 1934, as amended (the "1934 Act"), from and against all losses, claims, damages, liabilities and expenses, joint or several, to which the Authority and the Underwriter, or either of them, or any of their respective members, directors, officers, agents, attorneys, and employees and each person, if any, who controls the Underwriter within the meaning of the 1933 Act or 1934 Act as aforescribed may become subject, under federal laws or regulations, or otherwise, insofar as such losses, claims, damages, liabilities and expenses (or actions in respect thereof) arise out of or are based upon: (i) a breach of the Company's representations included in this Agreement; (ii) any untrue statement or alleged untrue statement of any material fact pertaining to the Project or the Company set forth in the Official Statement, the Preliminary Official Statement or any amendment to either; or (iii) the willful or negligent omission of (or the alleged omission to state) a material fact in the Official Statement, in the Preliminary Official Statement, or in any amendment or supplement to either, as such fact is required to be stated therein or necessary to make the statements therein that pertain to the Company or the Project not misleading in the light of the circumstances under which they were made; or (iv) arising by virtue of the failure to register the 2005 Bonds under the 1933 Act or the failure to qualify the Indenture under the 1939 Act; or (v) arising by virtue of any audit or investigation conducted by a state or federal agency, department or entity questioning, among other things, the tax-exempt status of the 2005 Bonds;

(c) undertake, pursuant to the Continuing Disclosure Agreement dated as of May 1, 2005 to be entered into between the Company and the Trustee (the "Continuing Disclosure Agreement"), to provide annual reports and notices of certain material events in accordance with Rule 15c2-12 under the 1934 Act, as amended ("Rule 15c2-12"). A description of this undertaking and the Continuing Disclosure Agreement is set forth in the Preliminary Official Statement and will also be set forth in the Final Official Statement; and

(d) not amend or supplement the Official Statement without prior notice to, and the consent of, the Underwriter, and will advise the Underwriter and the Authority promptly of the institution of any proceedings by any governmental agency or otherwise affecting the use of the Official Statement in connection with the offer and the sale of the 2005 Bonds.

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7. UNDERWRITER'S COVENANT AND REPRESENTATIONS AND WARRANTIES.

(a) By acceptance hereof the Underwriter agrees to indemnify and

hold harmless the Authority, its members, directors, officers, agents, attorneys, and employees and the Company, its officers, directors, agents, attorneys, and employees and each person if any, who controls the Company within the meaning of Section 15 of the 1933 Act against all or several claims, losses, damages, liabilities and expenses asserted against them, or any of them, at law or in equity, in connection with (i) the offering and sale of the 2005 Bonds on the grounds that the information under the caption "UNDERWRITING" in the Preliminary Official Statement or the Official Statement (or any supplement or amendment to said information) contains an untrue or allegedly untrue statement of a material fact or omits or allegedly omits to state any material fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made (it being understood that the Underwriter furnished only the information under such "UNDERWRITING" heading), or (ii) failure on the part of the Underwriter to deliver an Official Statement to any purchaser. The Underwriter will reimburse any legal or other expenses reasonably incurred by a party, person or entity indemnifiable under this Section 7 in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability that the Underwriter may otherwise have. The Underwriter shall not be liable for any settlement of, any such action effected without its consent.

(b) The Underwriter will be paid an underwriting discount of \$1,069,650 with respect to the 2005 Bonds. In connection with any investment of proceeds of the Bonds, the Underwriter has not been paid a fee, paid a fee or caused a fee to be paid (and will not be paid a fee, pay a fee or cause a fee to be paid) to any other person, company, partnership, entity or the like in connection with any such investments. Moreover, the Underwriter has no reason to believe that any person, company, partnership, entity or the like received a fee (or will receive a fee) from the provider of any such investments, except as has been expressly disclosed in writing to the Authority on or prior to the date hereof.

(c) The Underwriter acknowledges that the Authority is relying upon the veracity of the certification in clause (b) above on the date hereof as a condition precedent to lending the proceeds of the 2005 Bonds to the Company.

(d) The Underwriter agrees to deliver the certificate attached hereto as Exhibit E to the Authority on the date of the Closing.

8. NOTICE OF INDEMNIFICATION; SETTLEMENT. Promptly after a party, person or entity indemnifiable under Section 6 or 7 of this Bond Purchase Agreement (an "Indemnatee") receives notice of the commencement of any audit, investigation or action against such Indemnatee in respect of which indemnity is to be sought by the Indemnatee against the Company or an Underwriter, as the case may be (the "Indemnifying Party"), the Indemnatee will notify the Indemnifying Party in writing of such action, and the Indemnifying Party may assume the defense thereof, including the employment of counsel and the payment of all expenses; but the omission so to notify the Indemnifying Party will not relieve the Indemnifying Party from any liability that it may have to the Indemnatee otherwise than hereunder. The Indemnifying Party shall not be liable for any settlement of any such action effected without its consent, but if settled with the consent of the Indemnifying Party or if there is a final judgment for the plaintiff in any such action, the Indemnifying Party will indemnify and hold harmless the Indemnatee from and against any loss or liability by reason of such settlement or judgment. The indemnity agreements contained in this Bond Purchase Agreement (i) shall include reimbursement for expenses reasonably incurred by an Indemnatee in investigating the claim and defending it if the Indemnifying Party declines to assume the defense and (ii) shall survive delivery of the 2005 Bonds. Notwithstanding the foregoing, in the event of an investigation or audit by the Internal Revenue Service or the Securities and Exchange Commission or any other state or federal agency, department, or entity with respect to the 2005 Bonds, the Authority shall have the right and duty to undertake its own defense, including the employment of counsel, with full power to litigate, compromise or settle the same on its own behalf, and the Company agrees that it will indemnify and hold the Authority harmless for all costs and expenses, including, but not limited to, attorney fees and expenses and costs, of any such settlement.

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

the Underwriter, contribute to the amount paid or payable by the Underwriter as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect the relative benefits received by the Company and the Underwriter, respectively, from the offering of the 2005 Bonds. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then the Company shall contribute to such amount paid or payable by the Underwriter in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Underwriter, respectively, in connection with the statements or omission which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefit received by the Company or the Underwriter shall be deemed to be in the same proportion as the total proceeds from the offering (before deducting issuance costs and expenses other than underwriting fees and commissions) received by the Company, on the one hand, bear to the total underwriting fees and commissions received by the Underwriter, on the other hand. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact related to information supplied by the Company or the Underwriter and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Underwriter agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro rata allocation or by any other method of allocation that does not take account of the equitable considerations referred to above in this Section 9. The amount paid or payable by the Underwriter as a result of the losses, claims, damages or liabilities referred to above in this Section 9 shall be deemed to include any reasonable legal or other expenses reasonably incurred by the Underwriter in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, the Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the 2005 Bonds underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that the Underwriter has otherwise been required to pay by reason of such untrue or allegedly untrue statement or omission or alleged omission.

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10. OFFICIAL STATEMENT; PUBLIC OFFERING.

(a) In order to enable the Underwriter to comply with Rule 15c2-12: (i) the Company has prepared (or caused to be prepared) the Preliminary Official Statement, which the Company and the Authority (but, in the case of the Authority, only with respect to the information therein under the headings "THE AUTHORITY" and, insofar as they relate to the Authority, "INTRODUCTORY STATEMENT" and "ABSENCE OF MATERIAL LITIGATION") deem final and complete as of its date except for certain "Permitted Omissions" as described in Rule 15c2-12; (ii) the Company shall provide to the Underwriter sufficient copies of the Official Statement in sufficient time to accompany any confirmation that requires payment from any customer and in any event within seven business days after the date of this Bond Purchase Agreement; and (iii) if the Company has or gains knowledge would render the Official Statement misleading in any material respect in the period from the date of its delivery to the Underwriter by the Company (as that phrase is defined in Rule 15c2-12) then the Company shall promptly give the Underwriter notice thereof. The Authority and the Company hereby authorize the use of the Preliminary Official Statement and the Official Statement by the Underwriter in connection with the offering of the 2005 Bonds.

(b) After the Closing, and until the Underwriter has informed the Authority and the Company that the Underwriter has sold all the 2005 Bonds, the Authority and the Company will not adopt or distribute any amendment of or supplement to the Official Statement, except with the prior written consent of the Underwriter; and if any event relating to or affecting the Authority, the Company or the 2005 Bonds shall occur, the result of which shall make it necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make it not misleading in the light of the circumstances existing at that time, the Company shall forthwith prepare, and the Company and the Authority shall approve for distribution, a reasonable number of copies of an amendment of or supplement to the Official Statement, in form and substance reasonably satisfactory to the Underwriter, so that the Official Statement then will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances existing at that time, not misleading. The

Authority shall cooperate with the Company in the issuance and distribution of any such amendment or supplement.

(c) Upon Closing, the Underwriter shall promptly provide a Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and the Municipal Securities Rulemaking Board ("MSRB") with a copy of the Official Statement for filing in accordance with Rule 15c2-12, and inform the Authority and the Company in writing as to (i) the date and place of such filing and (ii) the date of the end of the underwriting period.

11. CONDITIONS OF UNDERWRITER'S AND AUTHORITY'S OBLIGATIONS. The Underwriter's obligations to purchase and pay for the 2005 Bonds and the Authority's obligation to issue and deliver the 2005 Bonds are subject to fulfillment of the following conditions at or before Closing:

(a) The representations of the Authority and the Company herein shall be true in all material respects on and as of the date of the Closing and shall be confirmed by appropriate certificates at Closing;

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

(c) The Underwriter shall have received:

(i) An opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel, dated the date of Closing, substantially in the form attached as Exhibit A hereto, addressed to (or with reliance letters delivered in respect of) the Authority, the Trustee and the Underwriter;

(ii) An opinion of Ballard Spahr Andrews & Ingersoll, LLP, Bond Counsel, dated the date of Closing, substantially in the form attached as Exhibit B hereto, addressed to the Underwriter;

(iii) An opinion of Blank Rome LLP, counsel for the Authority, dated the date of Closing, substantially in the form attached as Exhibit C hereto, addressed to the Underwriter and in form and substance reasonably satisfactory to the Underwriter and Bond Counsel;

(iv) Opinions of Dilworth Paxson LLP, counsel to the Company, and the Company's Senior Vice President - Law and Administration, dated the date of Closing, substantially in the forms attached as Exhibit D hereto, addressed to the Underwriter, the Authority and Bond Counsel, in form and substance reasonably satisfactory to the Underwriter and to Bond Counsel;

(v) An opinion of Saul Ewing LLP, counsel for the Underwriter, in form and substance reasonably satisfactory to the Underwriter;

(vi) An opinion of legal counsel to the Bond Insurer in form and substance reasonably satisfactory to Bond Counsel and the Underwriter, relating to the enforceability of the Bond Insurance Policy and the information concerning the Bond Insurer in the Official Statement;

(vii) An agreed upon procedures letter dated the date of the Official Statement and addressed to the Company from the Company's auditor with respect to financial information set forth in Appendix A to the Official Statement, in form and substance reasonably satisfactory to the Underwriter;

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

(A) the representations and warranties of the Authority contained herein, to the best of the knowledge of such Chairman, are true and correct in all material respects as of the date of Closing; and

(B) to the best of the knowledge of such Chairman, the Authority has complied in all material respects with all

agreements executed by the Authority in connection with issuance of the 2005 Bonds and satisfied in all material respects the Authority's covenants contained in Section 5 herein and all of the conditions on its part to be performed or satisfied at or prior to the Closing;

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

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

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

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

(x) Two executed copies of the Trust Indenture, the Financing Agreement, the Bond Purchase Agreement, the Thirty-Ninth Supplemental Mortgage, the Escrow Agreement and the Continuing Disclosure Agreement and specimen copies of the First Mortgage Bonds;

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

(xii) Two copies of the Authority Resolution;

(xiii) One or more letters from the Company's auditor, dated the date of the Preliminary Official Statement and the Official Statement and addressed to the Company, consenting to the use of the financial statements prepared by such firm and all references to such firm contained in the Preliminary Official Statement and the Official Statement;

(xiv) Evidence of the issuance of the Bond Insurance Policy by the Bond Insurer, which policy shall unconditionally and irrevocably guarantee the payment when due of the principal of and interest on the 2005 Bonds;

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(xv) Evidence satisfactory to the Underwriter of a rating of "AAA" assigned by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, and that such rating is in full force and effect as of the date of Closing;

(xvi) Evidence satisfactory to Bond Counsel and the Underwriter of the receipt by the Authority of a Preliminary Allocation relating to the Series A Bonds from the Pennsylvania Department of Community and Economic Development and of the registration of a Securities Certificate relating to the First Mortgage Bonds and the 2005 Bonds with the Pennsylvania Public

Utility Commission;

(xvii) A copy of the verification report prepared by the verification agent with respect to the sufficiency of the escrow established under the Escrow Agreement; and

(xviii) Such additional documentation as the Underwriter or its counsel or Bond Counsel may reasonably request to evidence compliance with applicable law and the validity of the 2005 Bonds, the Financing Agreement, the Trust Indenture, this Bond Purchase Agreement, the Mortgage, the First Mortgage Bonds, the Escrow Agreement and the Continuing Disclosure Agreement, and to evidence that the interest on the 2005 Bonds is not includable in gross income under the Code and the status of the offering under the 1933 Act and the 1939 Act;

(d) At Closing there shall not have been any material adverse change in the financial condition of the Company or any adverse development concerning the business or assets of the Company that would result in a material adverse change in the prospective financial condition or results of operations of the Company from that described in the Official Statement, which, in the judgment of the Underwriter, makes it inadvisable to proceed with the sale of the 2005 Bonds; and the Underwriter shall have received certificates of the Company certifying that no such material adverse change has occurred or, if such a change has occurred, full information with respect thereto; and

(e) The Underwriter shall deliver at Closing a certificate in form acceptable to Bond Counsel to the effect that the Underwriter has sold to the public (excluding bond houses and brokers) a substantial amount of the 2005 Bonds at initial offering prices no higher than, or yields no lower than, those shown on the cover page of the Official Statement and that such certificate may be relied upon for purposes of determining compliance with Section 148 of the Code.

12. EVENTS PERMITTING THE UNDERWRITER TO TERMINATE. The Underwriter may terminate its obligation to purchase the 2005 Bonds at any time before Closing if any of the following occurs:

(a) A legislative, executive or regulatory action or proposed action, or a court decision, which in the reasonable judgment of the Underwriter casts sufficient doubt on the legality of, or the exclusion from gross income for federal income tax purposes of interest on, obligations such as the 2005 Bonds so as to materially impair the marketability or materially lower the market price of the 2005 Bonds; or

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(b) Any action by the Securities and Exchange Commission or a court that would require registration of the 2005 Bonds or the First Mortgage Bonds under the 1933 Act or qualification of the Indenture under the 1939 Act; or

(c) Any general suspension of trading in securities on the New York Stock Exchange or the establishment, by the New York Stock Exchange, by the Securities and Exchange Commission, by any federal or state agency, or by the decision of any court, of any limitation on prices for such trading, or any outbreak of hostilities or other national or international calamity or crisis, or any material escalation in any such hostilities, calamity or crisis, the effect of which on the financial markets of the United States of America shall be such as to materially impair the marketability or materially lower the market price of the 2005 Bonds; or

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

(e) Pending or threatened litigation affecting or arising out of the

ownership of the Facilities or any other facilities of the Company or the issuance of the 2005 Bonds, which, in the reasonable judgment of the Underwriter, would materially impair the marketability or materially lower the market price of the 2005 Bonds; or

(f) Quantities of the Official Statement are not delivered to the Underwriter in a timely manner as required by Section 10 hereof. If the Underwriter terminates its obligation to purchase the 2005 Bonds because any of the conditions specified in Section 11 hereof or this Section 12 shall not have been fulfilled at or before the Closing, such termination shall not result in any liability on the part of the Authority, the Underwriter, or, except for the payment of such costs of issuance described in Section 13 hereof which are due and payable, the Company.

13. EXPENSES. All expenses and costs of the authorization, issuance, sale and delivery of the 2005 Bonds including, without limitation, accrued interest and redemption premium due on the 1995 Bonds, the preparation of and furnishing to the Underwriter of the Preliminary Official Statement and the Official Statement, the preparation and execution of the 2005 Bonds, the Financing Agreement, the Trust Indenture, the First Mortgage Bonds, the Thirty-Ninth Supplemental Mortgage, the Escrow Agreement, the Continuing Disclosure Agreement and this Bond Purchase Agreement, the Insurance Policy premium, rating agency fees, the issuance and closing fees of the Authority, the fees and disbursements of counsel to the Authority, the fees and disbursements of Bond Counsel, the fees and disbursements of counsel to the Underwriter and the expenses incurred in connection with qualifying the 2005 Bonds for sale under the securities laws of various jurisdictions and preparing Blue Sky and legal investment memoranda, shall be paid by the Company from funds contributed by the Company and not from proceeds of the 2005 Bonds. The Authority shall, bear no out-of-pocket expense in connection with the transactions contemplated by this Bond Purchase Agreement. The Underwriter will pay all other expenses of the Underwriter in connection with the public offering of the 2005 Bonds.

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

15. NOTICES AND OTHER ACTIONS. All notices, requests, demands and formal actions hereunder will be in writing mailed, faxed (with confirmation of receipt) or delivered by nationally recognized, next-day delivery service to:

The Underwriter:

Sovereign Securities Corporation, LLC
Mail Code: 20-210-CPC LLC
1500 Market Street
Centre Square-Concourse
Philadelphia, Pennsylvania 19102
Attention: George C. Werner, III
Managing Director
Fax #: (267) 675-0643
Email: gwerner@sovereignbank.com

The Company:

Aqua Pennsylvania, Inc.
762 Lancaster Avenue
Bryn Mawr, Pennsylvania 19010
Attention: Kathy Lee Pape,
Vice President, Treasurer & Rate Counsel
Fax #: (610) 519-0989
Email: klpape@aquaamerica.com

The Authority:

Delaware County Industrial Development Authority
200 East State Street, Suite 205
Media, Pennsylvania 19063

Attention: J. Patrick Killian, Commerce Director
Fax #: (610) 566-7337
Email: info@delcopa.org

16. GOVERNING LAW. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, excluding those relating to choice of laws or conflict of laws, and may not be assigned by the Authority, the Company or the Underwriter.

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17. SUCCESSORS. This Bond Purchase Agreement will inure to the benefit of and be binding upon the parties and their respective successors and, as to Sections 6, 7 and 8 hereof, the Indemnitees, and will not confer any rights upon any other person. The term "successor" shall not include any holder of any Bonds merely by virtue of such holding.

18. LIMITATIONS ON LIABILITY. No personal recourse shall be had for any claim based on this Bond Purchase Agreement or the 2005 Bonds against any board member, officer, agent, employee, or attorney past, present or future, of the Authority or any successor body as such, either directly or through the Authority or any successor body, under any constitutional provision, statute, or rule of law or by enforcement of any assessment or penalty or otherwise. Notwithstanding any provision or obligation to the contrary in this Bond Purchase Agreement, the liability of the Authority for payments of any kind, nature or description provided for herein or in any other document executed pursuant hereto shall be limited to the revenues derived by the Authority from the Financing Agreement.

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

DELAWARE COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

By: HENRY COLEMAN

Henry Coleman
Chairman

AQUA PENNSYLVANIA , INC.

By: KATHY L. PAPE

Kathy L. Pape
Vice President, Treasurer and Rate Counsel

SOVEREIGN SECURITIES CORPORATION,
LLC

By: GEORGE C. WERNER, III

George C. Werner, III
Managing Director

SCHEDULE I

Terms of Bonds

Dated Date: May 19, 2005

Series	Maturity Date	Principal Amount	Rate of Interest	Price	Yield
A	November 1, 2037	\$24,165,000	5.00%	100.970	4.88%
A	November 1, 2038	25,375,000	5.00%	100.889	4.89%
B	November 1, 2036	21,770,000	5.00%	101.052	4.87%

Interest Payment Dates: May 1 and November 1, commencing November 1, 2005

Redemption Provisions:

The 2005 Bonds are subject to redemption as follows:

OPTIONAL REDEMPTION - SERIES A BONDS. The Series A Bonds are subject to optional redemption prior to maturity by the Authority, at the direction of the Company, on or after November 1, 2015, as a whole or in part at any time, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus interest accrued to the date fixed for redemption.

OPTIONAL REDEMPTION - SERIES B BONDS. The Series B Bonds are subject to optional redemption prior to maturity by the Authority, at the direction of the Company, on or after November 1, 2015, as a whole or in part at any time, at a redemption price equal to one hundred percent (100%) of the principal amount thereof, plus interest accrued to the date fixed for redemption.

EXTRAORDINARY OPTIONAL REDEMPTION - SERIES A BONDS. The Series A Bonds are subject to redemption, at any time prior to maturity, at the option of the Authority, upon the direction of the Company, in whole, at a Redemption Price of 100% of the principal amount of the Series A Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, if any of the following events shall have occurred:

(a) The damage or destruction of all or substantially all of the 2005A Facilities to such extent, that, in the reasonable opinion of the Company, the repair and restoration thereof would not be economical; or

(b) the taking by condemnation, or the threat thereof, of all or substantially all of the 2005A Facilities or the taking by condemnation of any part, use or control of the 2005A Facilities so as to render them unsatisfactory to the Company for their intended use; or

(c) in the Company's reasonable opinion, (1) unreasonable burdens or excessive liabilities shall have been imposed upon the Company with respect to the 2005A Facilities or the operation thereof, including, but not limited to, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement other than ad valorem property taxes presently levied upon privately owned property used for the same general purposes as the 2005A Facilities, or (2) the continued operation of the 2005A Facilities is impractical, uneconomical or undesirable for any reason.

Any such redemption shall be on any date within 180 days following the occurrence of one of the events listed above permitting the exercise of the option.

EXTRAORDINARY OPTIONAL REDEMPTION - SERIES B BONDS. The Series B Bonds are subject to redemption, at any time prior to maturity, at the option of the Authority, upon the direction of the Company, in whole, at a Redemption Price of 100% of the principal amount of the Series B Bonds to be redeemed, plus interest accrued thereon to the date fixed for redemption, if any of the following events shall have occurred:

(a) The damage or destruction of all or substantially all of the 2005B Facilities to such extent, that, in the reasonable opinion of the Company, the repair and restoration thereof would not be economical; or

(b) the taking by condemnation, or the threat thereof, of all

or substantially all of the 2005B Facilities or the taking by condemnation of any part, use or control of the 2005B Facilities so as to render them unsatisfactory to the Company for their intended use; or

(c) in the Company's reasonable opinion, (1) unreasonable burdens or excessive liabilities shall have been imposed upon the Company with respect to the 2005B Facilities or the operation thereof, including, but not limited to, federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Agreement other than ad valorem property taxes presently levied upon privately owned property used for the same general purposes as the 2005B Facilities, or (2) the continued operation of the 2005B Facilities is impractical, uneconomical or undesirable for any reason.

Any such redemption shall be on any date within 180 days following the occurrence of one of the events listed above permitting the exercise of the option.

SPECIAL MANDATORY REDEMPTION - SERIES A BONDS. The Series A Bonds are subject to mandatory redemption in part, on the first interest payment date for which notice can be given in accordance with the Trust Indenture after the Construction Project has been completed and the certificate of the Company with respect thereto required by the Financing Agreement has been filed with the Authority and the Trustee, to the extent of any amounts transferred from the Series A Project Fund to the Series A Debt Service Fund pursuant to the Trust Indenture, at a Redemption Price of 100% of the principal amount of the Series A Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

EXHIBIT A

FORM OF APPROVING OPINION OF
BALLARD SPAHR ANDREWS & INGERSOLL, LLP

Upon delivery of the Bonds, Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, Bond Counsel, will issue its approving opinion in substantially the following form:

Re: \$49,540,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project) Series A of 2005 and \$21,770,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Refunding Bonds (Aqua Pennsylvania, Inc. Project) Series B of 2005

Ladies and Gentlemen:

We have acted as Bond Counsel to the Delaware County Industrial Development Authority (the "Authority") in connection with the issuance and sale of its \$49,540,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project) Series A of 2005 (the "Series A Bonds") and its \$21,770,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Refunding Bonds (Aqua Pennsylvania, Inc. Project) Series B of 2005 (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"). The Series A Bonds are being issued by the Authority at the request of Aqua Pennsylvania, Inc., as successor to Philadelphia Suburban Water Company (the "Company"), to finance facilities located in the Pennsylvania Counties of Berks, Bucks, Chester, Delaware and Montgomery (the "2005 Project Facilities") for the furnishing of water which is made available on reasonable demand to members of the general public in portions of the Pennsylvania Counties of Berks, Bucks, Chester, Delaware and Montgomery. The Series B Bonds are being issued by the Authority at the request of the Company to provide for the current refunding of \$22,000,000 outstanding principal amount of the Authority's Exempt Facilities Revenue Bonds (Philadelphia Suburban Water Company Project) Series of 1995 (the "1995 Bonds"). The 1995 Bonds were issued at the request of the Company to finance facilities located in the Pennsylvania Counties of Bucks, Chester, Delaware and Montgomery (the "1995 Project Facilities" and, together with the 2005 Project Facilities, the "Project Facilities") for the furnishing

of water which is made available on reasonable demand to members of the general public in portions of the Pennsylvania Counties of Bucks, Chester, Delaware and Montgomery.

The Bonds are issuable in fully registered form, and are being issued under the Trust Indenture dated as of May 1, 2005 (the "Indenture") between the Authority and Wachovia Bank, National Association, as trustee (the "Trustee"). The Authority and the Company are entering into a Financing Agreement dated as of May 1, 2005 (the "Financing Agreement"), pursuant to which the Authority will lend the proceeds of the Bonds to the Company to (i) finance the 2005 Project Facilities and (ii) currently refund the 1995 Bonds.

A-1

In satisfaction of its obligation under the Financing Agreement with respect to the Bonds, the Company, concurrently with the issuance of the Bonds, is delivering to the Trustee (i) its First Mortgage Bond, 5.00% Series, due 2038, and its First Mortgage Bond 5.00% Series, due 2037 (collectively, the "Series A First Mortgage Bonds") in an aggregate principal amount equal to the principal amount of the Series A Bonds and with principal, premium and interest payments corresponding to the principal, premium and interest payments on the Series A Bonds and (ii) its First Mortgage Bond, 5.00% Series, due 2036 (the "Series B First Mortgage Bond" and, together with the Series A Mortgage Bonds, the "First Mortgage Bonds") in the principal amount equal to the principal amount of the Series B Bonds and with principal, premium and interest payments corresponding to the principal, premium and interest payments on the Series B Bonds. The Authority has assigned its interests under the Financing Agreement with respect to the Bonds, including its right to receive the First Mortgage Bonds and the payments thereunder, to the Trustee for the benefit of the holders of the Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met on a continuing basis subsequent to the issuance and delivery of the Bonds for interest on the Bonds to be excluded from the gross income of the holders thereof for federal income tax purposes. For the purposes of the opinion set forth below, we have relied on representations of the Authority and the Company with respect to the application of the proceeds of the Bonds and the 1995 Bonds, the nature of the Project Facilities and other matters solely within the knowledge of the Authority and the Company which we have not independently verified, and have assumed continuing compliance with the covenants in the Indenture, the Financing Agreement and the certificates of the Company with respect to the Project Facilities delivered at closing pertaining to the requirements of those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. In the event that such representations are determined to be inaccurate or incomplete or the Authority or the Company fails to comply with the aforementioned covenants, interest on the Bonds could become includable in gross income from the date of issuance, regardless of the date on which the event causing such inclusion occurs.

In our capacity as Bond Counsel, we have examined such documents, records of the Authority and other instruments as we deemed necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Financing Agreement, the First Mortgage Bonds, the other documents listed in the closing memorandum filed with the Trustee and an executed Water Facilities Revenue Bond (Aqua Pennsylvania, Inc. Project) Series A of 2005 and an executed Water Facilities Revenue Refunding Bond (Aqua Pennsylvania, Inc. Project) Series B of 2005, each as authenticated by the Trustee.

Based on the foregoing, it is our opinion that:

1. The Authority is a public instrumentality of the Commonwealth of Pennsylvania and a body corporate and politic, organized and existing under Pennsylvania law, with full power and authority to execute and deliver the Financing Agreement and the Indenture, and to issue and sell the Bonds.
2. The Financing Agreement and the Indenture have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, subject to state and federal laws and equitable principles affecting the enforcement of creditors' rights.

3. All right, title and interest of the Authority under the Financing Agreement as they relate to the Bonds, including the right to receive the First Mortgage Bonds and the payments thereunder (except for certain rights to indemnification and to payments in respect of administrative expenses of the Authority), have been effectively assigned to the Trustee by the Indenture.

4. The issuance and sale of the Bonds have been duly authorized by the Authority; the Bonds have been duly executed and delivered by the Authority; and, on the assumption that all Bonds have been authenticated by the Trustee, the Bonds are legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their terms, subject to state and federal laws and equitable principles affecting the enforcement of creditors' rights, and are entitled to the benefit and security of the Indenture.

5. Under existing laws as enacted and construed on the date of initial delivery of the Bonds, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming the accuracy of the certifications of the Authority and the Company and continuing compliance by the Authority and the Company with the requirements of the Code, except that interest on a Bond is not excludable while the Bond is held by a substantial user of the Project Facilities or a related person as provided in the Code. Interest on the Bonds is a tax preference item that is subject to individual and corporate federal alternative minimum tax. Interest on Bonds held by foreign corporations may be subject to the branch profits tax imposed by the Code.

Ownership of the Bonds may result in other federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of social security or railroad retirement benefits, certain S corporations and taxpayers who may be deemed to have incurred or continued debt to purchase or carry the Bonds. Bond Counsel expresses no opinion as to these matters.

6. Under the existing laws of the Commonwealth of Pennsylvania as enacted and construed on the date of initial delivery of the Bonds, interest on the Bonds is exempt from Pennsylvania personal income tax and Pennsylvania corporate net income tax, and the Bonds are exempt from personal property taxes in Pennsylvania.

We do not express any opinion herein as to the adequacy or accuracy of the Official Statement of the Authority pertaining to the offering of the Bonds.

We call your attention to the fact that the Authority's obligation to make payments in respect of the Bonds is limited to moneys received from payments to be made by the Company pursuant to the First Mortgage Bonds and as provided in the Indenture and that the Bonds do not pledge the credit or taxing power of the County of Delaware or the Commonwealth of Pennsylvania or any political subdivision thereof. The Authority has no taxing power.

Very truly yours,

EXHIBIT B

FORM OF SUPPLEMENTAL OPINION OF
BALLARD SPAHR ANDREWS & INGERSOLL, LLP

May 19, 2005

Re: \$49,540,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project), Series A of 2005; and \$21,770,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project), Series B of 2005

Ladies and Gentlemen:

Reference is made to our opinion as bond counsel identified as Closing Item No. ___ delivered to you concurrently herewith and relating to the above-referenced Bonds (the "Bonds"). At your request we have undertaken a review of certain other matters pertaining to the Bonds. All terms are used herein with the same meanings ascribed to them in the Official Statement dated May 10, 2005 (the "Official Statement") prepared in connection with the public offering of the Bonds.

Based on the review described in our bond opinion, it is our opinion that:

1. The Bond Purchase Agreement dated May 10, 2005 (the "Bond Purchase Agreement"), among you, the Company and the Authority has been duly authorized, executed and delivered by the Authority and constitutes the legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and general principles of equity.

2. The information in the Official Statement under the captions: "INTRODUCTORY STATEMENT - Description of the Bonds" and "- Security for the Bonds," "THE BONDS" (other than the information under the sub-caption "Book-Entry Only System") and "SECURITY FOR THE BONDS" (other than the information under the sub-captions "The Mortgage" and "Additional Parity Indebtedness") and the information set forth in Appendix C to the Official Statement (other than information under the headings "THE FIRST MORTGAGE BONDS AND THE MORTGAGE"), insofar as such information purports to summarize provisions of the Bonds, the Indenture and the Agreement, fairly and accurately summarize such information in all material respects. The information in the Official Statement under the caption "TAX MATTERS" and the information set forth in Appendix E to the Official Statement accurately reflect our firm's opinion with respect to the matters discussed therein in all material respects.

B-1

3. It is not necessary in connection with the offering and sale of the Bonds to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

This letter is furnished by us solely for your benefit in connection with the provisions of the Bond Purchase Agreement and may not be relied upon by any other persons for any purpose without our express written permission.

Very truly yours,

B-2

C-4
858497.8 8/2/05

EXHIBIT C

FORM OF OPINION OF COUNSEL FOR THE AUTHORITY

May 19, 2005

Delaware County Industrial Development
Authority
200 E. State Street
Suite 205 Media, PA 19008

Ballard Spahr Andrews & Ingersoll
Mellon Bank Center
1735 Market Street, 51st Floor
Philadelphia, PA 19103

Sovereign Securities Corporation, LLC
1500 Market Street
Centre Square - Concourse
Philadelphia, PA 19102

Re: Delaware County Industrial Development Authority, \$49,540,000
Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project)
Series A of 2005 and \$21,770,000 Water Facilities Revenue
Refunding Bonds (Aqua Pennsylvania, Inc. Project) Series B of
2005 (collectively, the "Bonds")

Ladies and Gentlemen:

We have acted as counsel to the Delaware County Industrial Development Authority ("Authority") in connection with the authorization, execution and issuance by the Authority of the captioned Bonds ("Bonds"). This opinion is being rendered pursuant to Section 11(c)(iii) of the Bond Purchase Agreement, dated May 10, 2005 (the "Bond Purchase Agreement") by and among Sovereign Securities Corporation, LLC ("Underwriter"), Aqua Pennsylvania, Inc. ("Borrower") and the Authority. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Bond Purchase Agreement.

As the basis for this opinion, we have examined the Pennsylvania Economic Development Financing Law, 73 P.S. ss.ss. 371 et seq., as amended ("Act"); the Resolution of the Authority relating to the Bonds adopted on April 22, 2005 ("Resolution"), and such other documents, certificates and records of the Authority and other instruments and matters of law as we have deemed necessary to enable us to express the opinion set forth below, including, without limitation, original counterparts or certified copies of the Trust Indenture, dated as of May 1, 2005 ("Indenture"), between the Authority and Wachovia Bank, National Association, as trustee ("Trustee"), the Financing Agreement, dated as of May 1, 2005 ("Financing Agreement"), between the Authority and the Borrower, the Escrow Deposit Agreement dated the date hereof ("Escrow Agreement") among the Authority, the Borrower, the Trustee and J.P. Morgan Trust Company, National Association, as escrow agent and the Bond Purchase Agreement. The Indenture, the Loan Agreement, the Escrow Agreement and the Bond Purchase Agreement are collectively referred to herein as the "Authority Documents".

C-1

We have assumed and relied upon the truth, completeness, authority and accuracy of all documents, certificates and instruments examined and the authenticity of all signatures thereon.

We have also assumed that each of the documents referred to herein are, where appropriate, duly authorized and executed by and valid and legally binding obligations of, and enforceable in accordance with their terms against all parties thereto other than the Authority and that the actions required to be taken or consents required to be obtained by such parties have been taken and obtained. In rendering this opinion, we have also assumed that such parties have acted in full compliance with the terms of all applicable laws, regulations and orders.

As to questions of fact material to this opinion, we have relied upon certificates and representations of officers and representatives of the Authority or of other public officials, without independent investigation.

We have not made any independent investigation in rendering this opinion other than the examination described above. Our opinion is therefore qualified in all respects by the scope of that examination.

Our opinions are specifically limited to the present internal laws of the Commonwealth of Pennsylvania ("Commonwealth") and present federal law and no opinion is expressed as to the effect the laws of any other jurisdiction might have upon the subject matter of the opinions expressed herein under conflict of laws principles or otherwise.

Based upon the foregoing, and subject to the limitations, assumptions, qualifications and exceptions set forth herein, we are of the opinion that:

1. The Authority is a body corporate and politic constituting an instrumentality of the Commonwealth and is duly created and existing pursuant to the Act.

2. The Authority has duly authorized the execution and issuance of the Bonds and the execution and delivery of the Authority Documents. The Bonds have been duly and validly executed and delivered by the Authority and the Authority Documents have each been duly and validly executed and delivered by the Authority and the Bonds and each of the Authority Documents are valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.

3. The execution and the issuance by the Authority of the Bonds, the execution and delivery by the Authority of the Authority Documents and performance by the Authority of the Authority's obligations under the Bonds and the Authority Documents, do not conflict with or constitute on a part of the Authority a violation of, breach of or default under any existing constitutional provision or statute of the Commonwealth applicable to the Authority, or, to our knowledge without having undertaken any independent investigation, any indenture, mortgage, deed of trust, resolution, note agreement or other agreement or instrument to which the Authority is a party or by which the Authority is bound and which is known to us, or, to our knowledge, without having undertaken any independent investigation, any order, rule or regulation of any court, governmental agency or body of the Commonwealth having jurisdiction over the Authority or any of its activities or property.

C-2

4. To our knowledge, without having undertaken any independent investigation, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or threatened against the Authority, wherein an unfavorable decision, ruling or finding would materially and adversely affect the obligations of the Authority under the Bonds.

5. The Authority has approved the distribution of the Preliminary Official Statement dated April 29, 2005 and the Official Statement dated May 10, 2005 ("Official Statement") by the Underwriter in connection with the offering of the Bonds.

6. The information contained in the Official Statement under the heading "INTRODUCTORY STATEMENT - The Authority" and "THE AUTHORITY" has been reviewed by us and nothing has come to our attention which would lead us to believe that such information contains any untrue statement of a material fact or omits to state a material fact which is required to be stated therein or which is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect.

The opinions expressed herein are subject in all respects to the following qualifications: (a) no opinion is rendered as to the availability of equitable remedies including, but not limited to, specific performance and injunctive relief, whether enforceability is considered in a proceeding in equity or at law; (b) no opinion is rendered as to the effect of bankruptcy, reorganization, insolvency, fraudulent conveyance, moratorium and other similar laws or legal principles affecting creditors' rights or remedies; (c) no opinion is rendered as to the creation, perfection or priority of any lien or security interest; (d) no opinion is rendered with respect to any "blue sky" or other securities laws of the Commonwealth or of other jurisdictions; and (e) no opinion is rendered with regard to any federal income tax law or regulation or any state tax law or regulation of the Commonwealth or of other jurisdictions.

No opinion is expressed as to the validity or enforceability of any provisions of the Authority Documents: (a) allowing any person or entity to

institute judicial or non-judicial proceedings or to exercise any other rights, without notice to the person or entity against whom enforcement is sought; (b) waiving any right or defense of any person or entity; (c) providing or implying the availability of self-help in any particular event or circumstances; (d) relating to court costs or legal fees which may be properly chargeable or recoverable in any judicial proceedings; (e) relating to indemnification; and (f) relating to confession of judgment.

We call your attention to the fact that the Bonds are special and limited obligations of the Authority, payable solely from the payments derived by the Authority under the Financing Agreement. The Bonds are not obligations or liabilities of the Commonwealth or the County of Delaware, Pennsylvania or any other political subdivision thereof nor do the Bonds pledge the credit of the Commonwealth or the County of Delaware, Pennsylvania or any other political subdivision thereof nor do the Bonds pledge the credit of the Authority (other than to the limited extent described above). The Authority has no taxing power.

C-3

This opinion is given as of the date hereof. No opinion is expressed as to any matter not set forth in the numbered paragraphs herein. We make no undertaking to supplement this opinion if facts or circumstances hereafter come to our attention or changes in law occur after the date hereof. This opinion is rendered solely in connection with the original delivery and payment for the Bonds on the date hereof, and may not be relied upon for any other purpose. This opinion may not be relied upon by any other person, including any purchaser of the Bonds from the Underwriter or otherwise or for any other purpose, nor may this opinion be distributed, quoted or disclosed to any person, firm or entity without the prior written consent in each instance of a partner of the undersigned firm.

Very truly yours,

BLANK ROME LLP

C-4

EXHIBIT D

FORM OF OPINIONS OF THE COMPANY'S LEGAL COUNSEL AND THE
COMPANY'S SENIOR VICE PRESIDENT - LAW AND ADMINISTRATION

May 19, 2005

Delaware County Industrial Development Authority
200 East Street, Suite 205
Media, PA 19063

Sovereign Securities Corporation, LLC
1500 Market Street
Philadelphia, PA 19102

Re: \$49,540,000 Aggregate Principal Amount of Delaware County
Industrial Development Authority Water Facilities Revenue Bonds
(Aqua Pennsylvania, Inc. Project), Series A of 2005 and
\$21,770,000 Aggregate Principal Amount of Delaware County
Industrial Development Authority Water Facilities Revenue
Refunding Bonds (Aqua Pennsylvania, Inc. Project), Series B of
2005

Ladies and Gentlemen:

We have acted as counsel to Aqua Pennsylvania, Inc. (the "Company") in connection with (i) the issuance by Delaware County Industrial Development Authority (the "Authority"), and the sale to Sovereign Securities Corporation,

LLC pursuant to that certain Bond Purchase Agreement dated May 10, 2005 (the "Purchase Agreement"), of \$49,540,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc.), Series A of 2005 and \$21,770,000 aggregate principal amount of Delaware County Industrial Development Authority Water Facilities Revenue Refunding Bonds (Aqua Pennsylvania, Inc. Project), Series B of 2005 (collectively, the "Authority Bonds"), and (ii) the issuance and delivery of \$24,165,000 principal amount of the Company's First Mortgage Bond, 5.00% Series due 2037, \$25,375,000 principal amount of the Company's First Mortgage Bond, 5.00% due 2038, and \$21,770,000 principal amount of the Company's First Mortgage Bond, 5.00% Series due 2036 (collectively, the "First Mortgage Bonds"), issued under an Indenture of Mortgage (the "Original Mortgage") dated as of January 1, 1941, as amended and supplemented by supplemental indentures thereto, including the Thirty-Ninth Supplemental Indenture dated as of May 1, 2005 (the "Thirty-Ninth Supplemental Indenture") under which J.P. Morgan Trust Company, National Association is trustee (the "Mortgage Trustee"). The Original Mortgage as amended and supplemented is hereinafter called the "Mortgage". Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Purchase Agreement.

D-1

We have examined and reviewed, among other things:

- (a) a copy of the Articles of Incorporation of the Company, as amended and restated and now in effect;
- (b) a copy of the bylaws of the Company as now in effect;
- (c) resolutions of the Board of Directors of the Company authorizing the execution and delivery of the Purchase Agreement, the Financing Agreement, the Thirty-Ninth Supplemental Indenture, the First Mortgage Bonds, the Continuing Disclosure Agreement and the Official Statement;
- (d) the Purchase Agreement;
- (e) the Financing Agreement dated as of May 1, 2005 (the "Financing Agreement") between the Authority and the Company;
- (f) the Continuing Disclosure Agreement dated as of May 1, 2005 (the "Continuing Disclosure Agreement") between the Company and Wachovia Bank, National Association, as trustee for the Authority Bonds (the "Trustee");
- (g) the Escrow Deposit Agreement dated as of May 1, 2005 (the "Escrow Agreement") among the Authority, the Company, the Trustee and J.P. Morgan Trust Company, National Association, as trustee and escrow agent for the bonds being refunded by the Series B of 2005 Authority Bonds;
- (h) the Official Statement relating to the Authority Bonds dated May 10, 2005 (the "Official Statement");
- (i) the Securities Certificate relating to the issue and sale of the First Mortgage Bonds, filed by the Company with the Pennsylvania Public Utility Commission pursuant to the provisions of Chapter 19 of the Pennsylvania Public Utility Code, and a copy of the Order of the Public Utility Commission registering such Securities Certificate, certified by the Secretary of the Pennsylvania Public Utility Commission;
- (j) a Subsistence Certificate from the Secretary of the Commonwealth with respect to the Company;
- (k) executed counterparts of the Original Mortgage and of the Thirty-Ninth Supplemental Indenture supplemental thereto and evidence satisfactory to us of the due recordation thereof in the Counties of Adams, Berks, Bradford, Bucks, Carbon, Chester, Columbia, Cumberland, Delaware, Forest, Juniata, Lackawanna, Lawrence, Luzerne, Mercer, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Snyder, Susquehanna, Wayne and Wyoming, Pennsylvania;

- (l) the documents delivered to the Mortgage Trustee in connection with the authentication of the First Mortgage Bonds pursuant to the provisions of Sections 2(B) and 3 of Article IV of the Original Mortgage;

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- (m) the First Mortgage Bonds delivered to the Trustee at the Closing held today;
- (n) the certificates of the Company and other documents delivered to the Mortgage Trustee at the Closing;
- (o) a certificate of the Company and various bringdown title searches by Commonwealth Land Title Insurance Company in the Counties of Adams, Berks, Bradford, Bucks, Carbon, Chester, Columbia, Cumberland, Delaware, Forest, Juniata, Lackawanna, Lawrence, Luzerne, Mercer, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Snyder, Susquehanna, Wayne and Wyoming, Pennsylvania, each dated as of a recent date (collectively, "Title Searches"), as to matters relating to title to real estate and the lien of the Mortgage thereon, on which certificate and searches we are relying for the purposes of this opinion; and
- (p) various certificates of officers of the Company relating to title to real property and the priority of any lien thereon.

In rendering this opinion, we have assumed that all signatures on documents and instruments examined by us are genuine (except signatures of the Company on the Purchase Agreement, the Thirty-Ninth Supplemental Indenture, the Financing Agreement, the First Mortgage Bonds, the Escrow Agreement, and the Continuing Disclosure Agreement (collectively, the "Company Documents") and the Official Statement), the authenticity of all documents submitted to us as originals and the conformity with the original documents of all documents submitted to us as copies. We have also assumed, with your permission, that none of the signatories of the documents and instruments referred to above is an affiliate of the Company within the meaning of 66 Pa.C.S. ss.2101 (1989).

As to questions of fact material to the opinions hereinafter expressed, we have relied solely and without investigation upon certificates of public officials, certificates of officers of the Company and the representations of the Company contained in the Company Documents (including the exhibits and schedules to such documents) and the certificates and other documents delivered pursuant thereto. To the extent that the opinions contained herein are given to the best of our knowledge, such knowledge means the actual knowledge of those attorneys within our firm who have provided substantive representation to the Company in connection with this financing, without investigation and inquiry, and does not include matters of which such attorneys could be deemed to have constructive knowledge.

In rendering this opinion, we have also assumed that each of the Company Documents has been duly authorized, executed and delivered by each party thereto (other than the Company) and that each of the Company Documents is binding and enforceable against each such party in accordance with its respective terms.

Further, as to matters relating to title to real estate and the lien of the Mortgage, we have relied exclusively upon various certificates of officers of the Company and the Title Searches and we have not made, nor undertaken to make, any investigation or inquiry with respect to title to real property or the priority of any lien thereon.

D-3

We are generally familiar with the Company's operations as a public utility within the Commonwealth of Pennsylvania (the "Commonwealth").

Based upon the foregoing and such other examination of fact and law as we have deemed necessary for purposes of this opinion, we are of the opinion that:

1. The Company was organized and subsists under the laws of the

Commonwealth, with power (corporate and other) to own its properties and conduct its business as described in the Official Statement.

2. The Company has the corporate power and authority to enter into and perform the Purchase Agreement, the Financing Agreement, the First Mortgage Bonds, the Thirty-Ninth Supplemental Indenture, the Escrow Agreement and the Continuing Disclosure Agreement. The execution, delivery and performance by the Company of the Financing Agreement, the Bond Purchase Agreement, the First Mortgage Bonds, the Thirty-Ninth Supplemental Indenture, the Escrow Agreement and the Continuing Disclosure Agreement have been duly authorized by all requisite corporate action.

3. The Purchase Agreement, the Financing Agreement, the Escrow Agreement and the Continuing Disclosure Agreement constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

4. Each First Mortgage Bond has been duly authorized, executed, authenticated, issued and delivered and each constitutes a valid and legally binding obligation of the Company entitled to the benefits provided by the Mortgage.

5. The First Mortgage Bonds are not subject to the registration requirements of the 1933 Act.

6. The Mortgage constitutes a direct, valid and enforceable mortgage lien (except as enforceability of such lien may be limited by bankruptcy, insolvency, reorganization or other laws affecting the enforcement of creditors' rights) upon all of the properties and assets of the Company (not heretofore released as provided for in the Mortgage) specifically or generally described or referred to in the Mortgage as being subject to the lien thereof, except for permitted liens under the Mortgage; the Original Mortgage, either separately or as an exhibit to the Thirty-Fifth Supplemental Indenture dated as of January 1, 2002 or the Thirty-Eighth Supplemental Indenture dated as of November 15, 2004, and the Thirty-Ninth Supplemental Indenture have been properly recorded in the Counties of Adams, Berks, Bradford, Bucks, Carbon, Chester, Columbia, Cumberland, Delaware, Forest, Juniata, Lackawanna, Lawrence, Luzerne, Mercer, Monroe, Montgomery, Northampton, Northumberland, Pike, Schuylkill, Snyder, Susquehanna, Wayne and Wyoming in the Commonwealth and such recordings are the only recordings necessary in order to establish, preserve, protect and perfect the lien of the Mortgage on all real estate and fixed property of the Company (excluding easement and other similar rights) described in the Mortgage as subject to the lien thereof.

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

8. The Company is not a holding company, a registered holding company or an affiliate of a registered holding company within the meaning of the Public Utility Company Holding Act of 1935, as amended.

9. The Mortgage and the First Mortgage Bonds conform in all material respects as to legal matters to the descriptions thereof in the Official Statement.

Without having undertaken to determine independently the accuracy, completeness and fairness of the statements contained in the Official Statement, nothing has come to our attention in connection with our representation of the

Company in respect of the issuance of the First Mortgage Bonds which leads us to believe that the information with respect to the Company contained in the Official Statement (including Appendix A and the information incorporated therein by reference) contains any untrue statement of a material fact or omits to state a material fact which is required to be stated therein or which is necessary to make such information and descriptions, in the light of the circumstances under which they were made, not misleading in any material respect.

The foregoing opinions are subject to the following qualifications:

(i) The opinions expressed in paragraphs 3 and 4 are subject to the qualifications that the enforceability of the First Mortgage Bonds are subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium, and other similar laws of general application relating to or affecting creditors' rights, (ii) certain provisions of Pennsylvania law affecting the availability of certain remedies, and (iii) the further qualification that the availability of specific performance, injunctive relief or other equitable remedies is subject to the discretion of the court before which any proceeding therefor may be brought.

(ii) Our opinions are subject to limitations imposed by general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is considered in proceedings at law or in equity).

(iii) We express no opinion as to the enforceability with respect to any provisions purporting to waive the effect of applicable laws and remedies and any provisions releasing any party from, or requiring indemnification for, liability for gross negligence, recklessness or willful misconduct.

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(iv) Any requirements in any of the documents specifying that provisions of a document may only be waived in writing may not be enforced to the extent that an oral agreement or an implied agreement by trade practice or course of conduct has been created modifying any provision of such document.

(v) We express no opinion as to the applicability to the transactions contemplated by the Company Documents of Section 548 of the Bankruptcy Code or any applicable state law relating to fraudulent transfers and obligations.

(vi) Other applicable local, state and federal laws, regulations and ordinances, court decisions and constitutional requirements may limit or render unenforceable certain of the rights or remedies contained in the Company Documents, but in our opinion, none of the same would materially impair the practical realization of the benefits intended to be provided by the Company pursuant to the Company Documents.

(vii) Our opinion is limited in all respects to the laws of the Commonwealth in effect as of the date hereof and we express no opinion as to the laws of any other jurisdiction.

(viii) This opinion is limited to the matters set forth herein, no opinion may be inferred or implied beyond the matters expressly stated herein, and our statements contained in the opinion portion of this letter must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter.

(ix) The opinions herein are expressed as of the date hereof only and not as of some future date. We undertake no responsibility to advise you of any change in law or new laws, regulations or judicial decisions in the future. Nor do we assume any obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention. References to "laws," "regulations" and "judicial decisions" herein shall include only officially published laws and regulations of the Commonwealth of Pennsylvania.

This opinion is solely for the benefit of each of you and the benefit of any subsequent holder of the First Mortgage Bonds or the Authority Bonds and may not be relied upon by any other person or for any other purpose.

Very truly yours,

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[Letterhead of Aqua Pennsylvania]

May 19, 2005

Sovereign Securities Corporation, LLC
1500 Market Street
Philadelphia, PA 19102

Re: \$49,540,000 Aggregate Principal Amount of Delaware County
Industrial Development Authority Water Facilities Revenue Bonds
(Aqua Pennsylvania, Inc. Project), Series A of 2005 and
\$21,770,000 Aggregate Principal Amount of Delaware County
Industrial Development Authority Water Facilities Revenue
Refunding Bonds (Aqua Pennsylvania, Inc. Project), Series B of
2005 (collectively, the "Authority Bonds")

Ladies and Gentlemen:

I am Senior Vice President-Law and Administration for Aqua
Pennsylvania, Inc. (the "Company").

Pursuant to Section 11(c) (iv) of the Bond Purchase Agreement dated May
10, 2005 (the "Purchase Agreement") among the Authority, the Underwriter and the
Company (f/k/a Pennsylvania Suburban Water Company, as successor by merger to
Philadelphia Suburban Water Company) relating to the Authority Bonds, I have
been asked to render an opinion to you regarding certain matters involving the
Company. Capitalized terms used herein and not otherwise defined shall have the
definitions ascribed to such terms in the Purchase Agreement.

In rendering this opinion, I have assumed the following:

- i. the genuineness of all signatures (other than the
signatures of the Company on the Thirty-Ninth Supplemental Mortgage, as
hereinafter defined);
 - ii. the authenticity and completeness of all documents
submitted to me as originals;
 - iii. the conformity to original documents of all documents
submitted to me as copies, and the authenticity of the originals of such copies;
 - iv. the entity executing the Mortgage as trustee is duly
organized and validly existing, in good standing under the laws of the
jurisdiction of its organization, is properly qualified to do business in all
jurisdictions in which the business conducted by it makes such qualification
necessary and has all necessary legal and corporate power and authority to enter
into and perform its obligations under the Mortgage;
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- v. the due authorization, execution and delivery of the
Mortgage by or on behalf of the party thereto other than the Company;
 - vi. the enforceability against each party thereto (other than
the Company) of the Mortgage in accordance with its respective terms; and
 - vii. that the execution, delivery and performance of the
Mortgage by the entity other than the Company which is party thereto does not
and will not conflict with, result in any breach of, or constitute a default
under any order, writ, injunction or decree of any court or governmental
authority, or any agreement, indenture or other instrument, to which any such
party is a party or by which it or its properties are bound, and that all

necessary approvals, consents, permits, registrations, filings or other notices to or grants of authority from any federal or local governmental body necessary for the execution, delivery and performance of the Mortgage by each party thereto (other than the Company) have been duly received or made, with all appeal periods expired and no appeals taken.

I am making each of the foregoing assumptions with your permission and with the disclaimer that we make no representation as to the accuracy of such assumptions, although I have no knowledge that any such assumption is untrue.

In my opinion:

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

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

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3. There are no legal or governmental proceedings pending to which the Company is a party or of which any property of the Company is the subject, other than as set forth in the Official Statement and other than litigation incident to the kind of business conducted by the Company, wherein an unfavorable ruling, decision or finding is likely that would have a material adverse effect on the financial position, stockholders' equity or results of operations of the Company.

4. Each of the Indenture of Mortgage dated as of January 1, 1941 (the "Original Mortgage"), between the Company and The Philadelphia Company for Insurance on Lives and Exacting Annuities (now J.P. Morgan Trust Company, National Association, as successor in interest), as trustee (the "Trustee") and the thirty-nine indentures supplemental thereto, including the Thirty-Ninth Supplemental Indenture dated as of May 1, 2005 between the Company and the Trustee (the Original Mortgage as so supplemented and amended, the "Mortgage") was duly authorized, executed and delivered by the Company and the Mortgage

constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms (subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other similar laws relating to creditors' rights generally from time to time in effect, and subject, as to enforceability, to general principles of equity, regardless of whether such enforceability is considered in a proceeding in equity or at law).

The foregoing opinions are subject to the following qualifications:

i. The enforceability of the Mortgage, including, without limitation, any non-judicial and self-help remedies and waivers contained therein, may be limited by bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other similar laws affecting the rights of creditors generally and are subject to limitations imposed by general principles of equity, including principles of commercial reasonableness, good faith and fair dealing (regardless of whether enforcement is considered in proceedings at law or in equity), public policy and applicable law which may limit the availability of the remedies provided for therein,

ii. I express no opinion as to the adequacy of any notice with respect to the disposition of any collateral. I also express no opinion as to the effectiveness or enforceability of provisions relating to waivers of notice or waivers of other rights, severability, prepayment fees or penalties, choice of law, or any provisions which release or limit the Company's liability or relate to cumulative remedies or, to the extent they purport to or would have the effect of compensating the Company in amounts in excess of any actual loss suffered by the Company, provisions relating to the payment of a default rate of interest.

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iii. I express no opinion as to enforceability with respect to any provisions in the Mortgage executed by the Company purporting to waive the effect of applicable laws and remedies and any provisions releasing any party from, or requiring indemnification for, liability for gross negligence, recklessness or willful misconduct.

iv. Requirements in the Mortgage specifying that provisions of the Mortgage may only be waived in writing may not be enforced to the extent that an oral agreement or an implied agreement by trade practice or course of conduct has been created modifying any provision of such Mortgage.

v. My opinion is limited in all respects to laws of the Commonwealth of Pennsylvania in effect as of the date hereof and we express no opinion as to the laws of any other jurisdiction.

vi. This opinion is limited to the matters set forth herein, no opinion may be inferred or implied beyond the matters expressly stated herein, and our statements contained in the opinion portion of this letter must be read in conjunction with the assumptions, limitations, exceptions and qualifications set forth in this letter.

vii. The opinions herein are expressed as of the date hereof only and not as of some future date. I undertake no responsibility to advise you of any change in law or new laws, regulations or judicial decisions in the future nor do I assume any obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to our attention. References to "laws," "regulations" and "judicial decisions" herein shall include only officially published laws and regulations of the Commonwealth of Pennsylvania.

This opinion is solely for your benefit and may not be relied upon by any other person or for any other purpose.

Very truly yours,

Roy H. Stahl

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EXHIBIT E

CERTIFICATE OF UNDERWRITER

Reference is made to the Bond Purchase Agreement dated May 10, 2005 (the "Agreement") among Delaware County Industrial Development Authority (the "Authority"), Aqua Pennsylvania, Inc. and Sovereign Securities Corporation, LLC (the "Underwriter") with respect to the Authority's Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project), Series A of 2005 and Water Facilities Revenue Bonds (Aqua Pennsylvania, Inc. Project), Series B of 2005 (collectively, the "2005 Bonds").

The Underwriter hereby certifies as follows:

The Underwriter will be paid an underwriting discount of \$1,069,650 with respect to the 2005 Bonds. In connection with any investment of proceeds of the Bonds, the Underwriter has not been paid a fee, paid a fee or caused a fee to be paid (and will not be paid a fee, pay a fee or cause a fee to be paid) to any other person, company, partnership, entity or the like in connection with any such investments. Moreover, the Underwriter has no reason to believe that any person, company, partnership, entity or the like received a fee (or will receive a fee) from the provider of any such investments, except as has been expressly disclosed in writing to the Authority on or prior to the date hereof.

This Certificate of Underwriter is executed and delivered on May 19, 2005.

SOVEREIGN SECURITIES CORPORATION, LLC

By:

George C. Werner, III
Managing Director

Certification

I, Nicholas DeBenedictis, Chairman, President and Chief Executive Officer of Aqua America, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2005

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer

Certification

I, David P. Smeltzer, Senior Vice President - Finance and Chief Financial Officer of Aqua America, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2005

DAVID P. SMELTZER

David P. Smeltzer
Senior Vice President - Finance

and Chief Financial Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2005 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

NICHOLAS DEBENEDICTIS

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer
August 4, 2005

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2005 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

DAVID P. SMELTZER

David P. Smeltzer
Senior Vice President - Finance and Chief Financial Officer
August 4, 2005