FORM S-2/A

Registration of securities [amend]

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FILER

ARTESIAN RESOURCES CORP

CIK:**863110**| IRS No.: **510002090** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **S-2/A** | Act: **33** | File No.: **333-72159** | Film No.: **99574461**
SIC: **4941** Water supply

Mailing Address
664 CHURCHMANS RD
NEWARK DE 19702

Business Address
664 CHURCHMANS RD
NEWARK DE 19702
3024536900

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 26, 1999

REGISTRATION NO. 333-72159

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1
TO

FORM S-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ARTESIAN RESOURCES CORPORATION
(EXACT NAME OF REGISTRANT AS SPECIFIED IN CHARTER)

DELAWARE	51-0002090
(State or other jurisdiction of incorporation or registration)	(I.R.S. Employer Identification No.)

664 CHURCHMANS ROAD
NEWARK, DE 19702
(302) 453-6900
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

DIAN C. TAYLOR
CHIEF EXECUTIVE OFFICER AND PRESIDENT
ARTESIAN RESOURCES CORPORATION
664 CHURCHMANS ROAD
NEWARK, DE 19702
(302) 453-6900
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

John F. Bales, III	Justin P. Klein
Morgan, Lewis & Bockius LLP	Ballard Spahr Andrews & Ingersoll, LLP
1701 Market Street	1735 Market Street, 51st Floor
Philadelphia, PA 19103	Philadelphia, PA 19103
(215) 963-5478	(215) 864-8606

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If the Registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this Form, check the following box. / /

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

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

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

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

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(A), MAY DETERMINE.

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFEER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION, DATED MARCH 26, 1999

PROSPECTUS

400,000 SHARES

[LOGO]

CLASS A NON-VOTING COMMON STOCK

The Class A Non-Voting Common Stock of Artesian Resources Corporation is quoted on the Nasdaq National Market under the symbol "ARTNA." On March 24, 1999, the last reported sale price of the Class A Non-Voting Common Stock on Nasdaq was $25.25 per share. See "COMMON STOCK PRICE RANGE AND DIVIDENDS."

BEFORE INVESTING, YOU SHOULD REVIEW THE "RISK FACTORS" BEGINNING ON PAGE 8.

<TABLE>
<CAPTION>

	PER SHARE	TOTAL
<S>	<C>	<C>
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Artesian Resources	$	$

</TABLE>

We have granted the Underwriters a 30-day option to purchase up to 60,000 additional shares of Class A Non-Voting Common Stock on the same terms and conditions as set forth above solely to cover over-allotments, if any.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Janney Montgomery Scott Inc., on behalf of the Underwriters, expects to deliver the shares on or about , 1999 in Philadelphia, Pennsylvania. The sale of the Class A Non-Voting Common Stock is subject to a number of conditions. See "UNDERWRITING."

JANNEY MONTGOMERY SCOTT INC.

The date of this Prospectus is , 1999.

[Map of Delaware showing Artesian's exclusive franchised service area, municipal systems under supply contract and areas currently targeted for expansion.]

TABLE OF CONTENTS

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE CLASS A NON-VOTING COMMON STOCK, INCLUDING SYNDICATE COVERING TRANSACTIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING."

IN CONNECTION WITH THIS OFFERING, CERTAIN UNDERWRITERS AND SELLING GROUP MEMBERS MAY ENGAGE IN PASSIVE MARKET MAKING TRANSACTIONS IN THE CLASS A NON-VOTING COMMON STOCK ON NASDAQ IN ACCORDANCE WITH RULE 103 OF REGULATION M. SEE "UNDERWRITING."

PROSPECTUS SUMMARY

This Prospectus Summary calls your attention to selected information in this document, but may not contain all the information that is important to you. Unless otherwise indicated we have assumed, in presenting information about outstanding shares of Class A Non-Voting Common Stock, including per share information, that the Underwriters' over-allotment option will not be exercised. In this Prospectus, we frequently use the terms "we" and "our" to refer to both Artesian Resources and Artesian Water Company, Inc., our wholly owned utility subsidiary. To understand the offering fully and for a more complete description of the offering you should read this entire document carefully, including particularly the "RISK FACTORS" section, as well as the documents we have referred you to in the section called "WHERE YOU CAN FIND MORE INFORMATION."

OUR COMPANY

Artesian Water, our principal subsidiary, is the oldest and largest regulated public water utility in the State of Delaware and has been providing water within the state since 1905. For the year ended December 31, 1998, we reported revenues of $25.5 million and net income of $2.7 million, an increase of 14% and 37%, respectively, over revenues and net income for the year ended December 31, 1997. As a percentage of gross water sales, our revenues for 1998 by major customer classifications were 62.4% for residential, 28.4% for commercial, industrial, governmental, municipal and utility, and 9.2% for fire protection. These percentages have remained fairly constant for the past three years. As of December 31, 1998, we had approximately 61,000 metered customers and served a population of approximately 200,000, representing approximately 27% of Delaware's total population. We believe that we have a reputation for providing water and service of superior quality to our customers.

Since 1993, we have expanded our service territory by approximately 40% through the acquisition of new service areas in Delaware. We currently have approximately 140 square miles of exclusive service territory, which is segmented into a number of service areas. A significant portion of this territory is undeveloped. Substantial portions of Delaware, particularly outside New Castle County, are not served by a public water system and represent potential new franchised service areas for Artesian Water. The total number of customers we serve has grown at an average annual rate of approximately 2.5% for the last five years. We expect to continue to increase our customer base as a result of population growth, development in our existing exclusive service areas, acquisition of new service areas and our innovative marketing initiatives.

Our water system is supplied by 72 operating wells with 46 monitoring wells. We have identified sufficient sources of groundwater supply to serve our expanding customer base for the foreseeable future. Since 1992, we have increased our sources of groundwater supply from our own wells by 50%, or nearly nine million gallons per day. As a result, in 1998, we used 10% less purchased water than we did in 1997. Purchased water generally costs 50% more than our own groundwater supply. In addition, we are developing our Aquifer Storage and Recovery program to store large quantities of treated water to meet our peak-day demands.

Our objective is to maintain and strengthen our position as a leading industry innovator and provider of high quality water and superior service throughout the State of Delaware. We will continue to invest in high quality infrastructure, secure long-term sources of supply and provide superior water and service to our customers. Our strategy is to capitalize on our reputation as the preferred water service provider in Delaware by increasing our customer base, expanding our exclusive franchise service area and pursuing contract management and supply agreements.

In support of our strategic initiatives, we have budgeted capital investments of approximately $15.5 million in 1999 and approximately $42.0 million during the three-year period ending December 31, 2001. Our planned 1999 capital investments include $7.2 million for transmission and distribution facilities, $4.4 million for pumping and treatment facilities, $1.9 million for new sources of supply and $2.0 million for other general plant.

OUR ADDRESS AND TELEPHONE NUMBER

Our executive offices are located at 664 Churchmans Road, Newark, Delaware 19702 and our telephone number is (302) 453-6900.

THE OFFERING

Class A Non-Voting Common Stock, $1 par value........	400,000 shares
Common Stock to be outstanding after the offering:	
Class A Non-Voting Common Stock...................	1,698,611 shares
Class B Voting Common Stock.......................	514,154 shares
Nasdaq symbol......................................	ARTNA
Class A Non-Voting Common Stock 52-week price range.. (through March 24, 1999)	$18.50 - $29.00
Annualized dividend rate............................	$1.04 per share
Use of Proceeds....................................	We will use the net proceeds of this offering to repay certain short-term borrowings of Artesian Water.

The shares of common stock in the table above to be outstanding after the offering are based on our shares outstanding as of March 24, 1999 and exclude an aggregate of 80,859 shares issuable upon the exercise of outstanding options under our stock option plans as of March 24, 1999, at a weighted average exercise price of $15.348 per share, of which 68,735 were fully vested and exercisable.

The annualized dividend rate in the table above gives effect to the increase announced on January 22, 1999 in our quarterly dividend to $0.26 per share, which was paid on February 22, 1999 to stockholders of record on February 10, 1999. We also have a dividend reinvestment plan. See "DESCRIPTION OF CAPITAL STOCK."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION
(IN THOUSANDS, EXCEPT PER SHARE AND OPERATING DATA)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Water sales	$ 25,096	$ 22,003	$20,547	$20,526	$18,720
Total operating revenues	25,466	22,340	20,892	22,631	21,012
Total operating expenses (1)	19,799	17,933	16,791	18,698	17,198
Operating income	5,667	4,407	4,101	3,933	3,814
Interest charges	3,162	2,580	2,536	2,759	2,334
Net income applicable to common stock	2,638	1,892	1,554	1,088	1,355
Net income per share of common stock:					
Basic	$ 1.47	$ 1.07	$ 1.03	$ 1.05	$ 1.34
Diluted	$ 1.45	$ 1.07	$ 1.03	$ 1.05	$ 1.34
Average shares of common stock outstanding:					
Basic	1,796	1,762	1,509	1,032	1,011
Diluted	1,816	1,775	1,515	1,034	1,013
Cash dividends per share of common stock	$ 0.97	$ 0.92	$ 0.90	$ 0.63	$ 0.60

<CAPTION>

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:					
Utility plant, at original cost less accumulated depreciation	$109,780	$ 97,694	$88,993	$83,160	$73,238
Total assets	119,376	107,867	99,708	96,841	87,453
Notes payable	7,704	1,164	25	9,225	1,525
Long-term debt and redeemable preferred stock, including current portions	32,696	32,861	27,434	25,876	26,127
Stockholders' equity	27,933	26,587	25,759	15,668	15,000
OPERATING DATA:					
Average water sales per customer	$ 419	$ 376	$ 359	$ 367	$ 344
Water pumped (millions of gallons)	6,739	6,637	6,419	6,561	6,506
Number of metered customers	60,688	59,218	57,934	56,672	55,097
Miles of water main	820	797	781	763	746

</TABLE>

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(1) For the year ended December 31, 1995, includes a write-down of $784 in connection with our sale of an office building and a $128 loss on our disposal of Artesian Laboratories, Inc.

FORWARD LOOKING STATEMENTS

We discuss in this Prospectus and in documents which we have incorporated into this Prospectus by reference certain matters which are not historical facts, but which are "forward looking statements." We intend these forward looking statements to qualify for safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. These forward looking statements include, but are not limited to, future plans, objectives, expectations and events concerning various matters such as our capital expenditures, utility plant construction program, acquisitions of additional water service territories, earnings, growth potential, and rate and other regulatory matters. The forward looking statements in this Prospectus reflect what we currently anticipate will happen in each case. What actually happens could differ materially from what we currently anticipate will happen. We are not promising to make any public announcement when we think forward looking statements in this Prospectus are no longer accurate, whether as a result of new information, what actually happens in the future or for any other reason.

Important matters that may affect what will actually happen include, but are not limited to: weather conditions; the impact of conservation efforts which may impact the demand of our customers for water; regulatory matters, including the potential impact of any future rate proceeding; the availability of capital for expansion; competition; and other factors described in the "RISK FACTORS" section.

RISK FACTORS

We have described for you below some risks involved in investing in the Class A Non-Voting Common Stock offered under this Prospectus. A word of caution: this is not a complete list of every risk. You should carefully consider each of the following factors and all of the information both in this Prospectus and in the other documents we refer you to in the section called "WHERE YOU CAN FIND MORE INFORMATION."

Our Principal Stockholders Effectively Control Our Company. Following the offering, members of the Taylor family, which includes Dian C. Taylor (Chair of the Board of Directors, Chief Executive Officer and President of Artesian Resources), William H. Taylor, II (a director of Artesian Resources) and John R. Eisenbrey, Jr. (a director of Artesian Resources), will beneficially own approximately 76% of the outstanding Class B Voting Common Stock and approximately 7% of the outstanding Class A Non-Voting Common Stock. The holders of Class B Voting Common Stock generally have the exclusive right to vote on most fundamental corporate decisions affecting Artesian Resources, including the election of our Board of Directors. As a result, these principal stockholders will have significant control over the outcome of most fundamental corporate matters. If you purchase shares of Class A Non-Voting Common Stock, you will not be able to vote on most matters affecting Artesian Resources, including the election of directors. See "DESCRIPTION OF CAPITAL STOCK."

Our Business Is Subject To Rate Regulation. The Delaware Public Service Commission regulates Artesian Water with respect to rates and charges for service, the sale and issuance of securities, mergers and other matters. That means, for example, that we cannot raise the rates we charge to our customers without first filing a petition with the Public Service Commission and going through a potentially lengthy administrative and hearing process. We currently anticipate that we will file for a rate increase during the first half of 1999, but we cannot predict when we will request approval for a rate increase or whether we will seek approval for any other matter the Public Service Commission regulates, nor can we predict whether the Public Service Commission will approve, deny or reduce the amount of any such requests. In addition, another entity or person cannot acquire control of Artesian Resources without prior approval from the Public Service Commission. See "OUR COMPANY -- Regulation."

We Are Subject To Government Regulation. The United States, Delaware and local governments regulate many aspects of our business. Among the most important of these are awards of new service territory, water allocation rights, environmental matters and the quality of water we supply to our customers. We believe that we and all of our systems are currently in compliance in all important aspects with these regulations. However, government agencies continually review these regulations, particularly the primary water quality regulations, and may propose new or more restrictive requirements in the future. These may include more limitations on the permissible levels of certain chemicals and compounds in the water. We cannot predict what the costs may be to meet new or more restrictive government regulations. If the costs of any new or more restrictive government regulations are high, or we fail to comply with such regulations, it could have a material adverse effect on our financial condition and results of operations. See "OUR COMPANY -- Regulation."

We Depend On The Availability Of Capital For Expansion, Construction And Maintenance. Our ability to continue our expansion efforts and fund our utility construction and maintenance program depends on the availability of adequate capital. With the proceeds from this offering and funds we anticipate receiving from future mortgage bond financings, as well as our existing lines of credit from banks and working capital, we believe we have sufficient funds to support our planned capital expenditures for the next 24 months. There is no guarantee that we will be able to obtain sufficient capital in the future or that the cost of capital will not be too high for future expansion and construction. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Liquidity and Capital Resources."

We Depend On An Adequate Water Supply. We depend on an adequate water supply to meet the present and future demands of our customers and to continue our expansion efforts. Unexpected conditions such as prolonged drought or pollution could interfere with our sources of water supply.

These factors could adversely affect our ability to supply water in sufficient quantities to our existing and future customers. Any interruption in our water supply could have a material adverse effect on our financial condition and results of operations. However, we believe that we have in place sufficient capacity to provide water service for the foreseeable future to all existing and anticipated future customers in all of our service territories.

We Have Competition From Other Utilities In The Acquisition Of New Service Territories. Once the state agency grants a service territory to a water utility in Delaware, that utility is the only one permitted to service that territory. As a result, water utilities competitively pursue the exclusive right to service unfranchised territories in Delaware. Therefore, we face competition from other utilities as we continue to implement our strategy to acquire new franchised service territories. We cannot predict if, or to what extent, such competition will limit our strategy for future growth.

We Have Limitations Which May Effect Our Ability To Pay Dividends. The Restated Certificate of Incorporation of Artesian Resources, as amended, requires that we pay or set aside for payment all accrued dividends and sinking fund payments payable on any outstanding preferred stock before we can pay dividends on our common stock. We also have certain limitations on dividend payments in bond covenants. These limitations have never impacted our ability to pay dividends on our common stock and we currently anticipate paying dividends for each quarter of 1999. Our earnings, financial condition, capital requirements, applicable regulations and other factors, including the timeliness and adequacy of rate increases granted to Artesian Water, will determine both our ability to pay dividends on the common stock and the amount of those dividends. We cannot guarantee that we will continue to pay dividends on our common stock in the future or in amounts similar to past dividends. See "DESCRIPTION OF CAPITAL STOCK -- Preferred Stock" and "COMMON STOCK PRICE RANGE AND DIVIDENDS."

We Are Subject To Year 2000 Risks. The software used in many computer systems and computerized control devices was designed to record only the last two digits of each year. This software may not function properly as of January 1, 2000 because it interprets the new year as 1900. We are evaluating our own computer systems and engaging in periodic testing to make certain that those systems will work properly in the year 2000. We have identified which systems are critical for operations and expect to be Year 2000 compliant by June 30, 1999. Nonetheless, we may not have identified every computer system and computerized control device of ours which may be affected by the Year 2000. Even if identified, we may not be able to reprogram or replace all of these systems and devices before January 1, 2000. More importantly, we cannot assess the impact on us of failures of computer systems and control devices used and/or provided by others, such as our suppliers. We have asked each of our principal suppliers to advise us on their Year 2000 compliance and are in the process of developing contingency plans in case any of our principal suppliers' systems fail. Our contingency plans include the installation of back-up generators, increasing inventory levels of crucial materials and supplies and identifying alternative suppliers. We expect these plans to be in effect by June 30, 1999, but we cannot guarantee that we will be unaffected by the Year 2000 risk. A significant Year 2000-related problem could have a material adverse effect on our financial condition and results of operations. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Liquidity and Capital Resources."

We Are Subject To Anti-Takeover Measures. Section 203 of the Delaware General Corporation Law, which applies to Artesian Resources, contains certain anti-takeover provisions prohibiting a "business combination" between a corporation and an "interested stockholder" within three years of the stockholder becoming an "interested stockholder." These provisions deter merger proposals, tender offers or other attempts to affect changes in control of Artesian Resources that are not negotiated and approved by our Board of Directors. In addition, we have adopted certain provisions in our Certificate of Incorporation and by-laws which may have anti-takeover implications, including a classified Board of Directors and higher stockholder voting requirements for certain corporate actions. These provisions could discourage, delay or prevent an acquisition of Artesian Resources. See "DESCRIPTION OF CAPITAL STOCK" and "RISK FACTORS -- Our Principal Stockholders Effectively Control Our Company."

USE OF PROCEEDS

The net proceeds from the sale of the 400,000 shares of Class A Non-Voting Common Stock offered by this Prospectus, after deducting the Underwriters' discounts and estimated offering expenses, are estimated to be $9,450,000 ($10,905,000 if the Underwriters' over-allotment option is exercised in full), assuming an offering price of $25.25 per share. We will use the entire net proceeds to fund an equity contribution in the same amount to our subsidiary, Artesian Water. Artesian Water will use the equity contribution to repay borrowings incurred primarily to finance expenses associated with its construction program, including investment in utility plant and systems and maintenance. At March 24, 1999, Artesian Water had aggregate short-term borrowings outstanding of $10.0 million under lines of credit with three separate financial institutions at interest rates averaging approximately 6.0%. These lines of credit mature in April and September 1999, unless Artesian Water extends or renegotiates them with the financial institutions. This use of proceeds will reduce Artesian Water's current debt capitalization ratio, which we believe will improve Artesian Water's capacity to issue additional long-term debt to finance future capital investments. Artesian Water will use the balance of the equity contribution to invest in utility plant and equipment. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Liquidity and Capital Resources."

COMMON STOCK PRICE RANGE AND DIVIDENDS

Our Class A Non-Voting Common Stock is listed on the Nasdaq National Market and trades under the symbol "ARTNA." On March 1, 1999, we had 644 holders of record of the Class A Non-Voting Common Stock. The following table sets forth, for the periods indicated, the high and low closing sale prices for the Class A Non-Voting Common Stock on the Nasdaq National Market and the cash dividends declared per share.

<TABLE>
<CAPTION>

	HIGH	LOW	DIVIDEND PER SHARE
<S>	<C>	<C>	<C>
1997			
First Quarter................................	$18.00	$16.25	$0.230
Second Quarter...............................	18.25	17.00	0.230

Third Quarter	19.00	17.25	0.230
Fourth Quarter	19.00	18.00	0.230
1998			
First Quarter	$19.75	$18.25	$0.230
Second Quarter	19.25	18.63	0.230
Third Quarter	23.00	18.75	0.255
Fourth Quarter	27.38	21.00	0.255
1999			
First Quarter (through March 24, 1999)	$27.75	$22.00	$0.260

</TABLE>

The closing sale prices shown above reflect prices between dealers and do not include retail markups or markdowns or commissions and may not necessarily represent actual transactions. A recent closing sale price per share of Class A Non-Voting Common Stock is shown on the cover page of this Prospectus.

Our Class B Voting Common Stock is quoted on the OTC Bulletin Board under the symbol "ARTNB." There has been a limited and sporadic public trading market for the Class B Voting Common Stock. The last reported trade of the Class B Voting Common Stock on the OTC Bulletin Board was at a price of $20.00 per share on January 22, 1999. As of March 1, 1999, we had 246 holders of record of the Class B Voting Common Stock.

On January 22, 1999, Artesian Resources declared a $0.26 dividend per share for the first quarter on shares of record of Class A Non-Voting Common Stock and Class B Voting Common Stock on February 10, 1999, which was paid on February 22, 1999. We currently anticipate paying dividends in each of the last three quarters of 1999 at a rate of $0.26 per share on Class A Non-Voting Common Stock and Class B Voting Common Stock. We cannot assure that we will maintain our current dividend rate, increase our dividend rate or continue to pay dividends on our common stock in the future. Our payment of future dividends will depend primarily upon our earnings, financial condition, capital requirements, provisions in our debt instruments limiting dividends, applicable regulations and other factors, including the timeliness and adequacy of rate increases granted to Artesian Water. No dividends may be paid on the common stock unless all accrued dividends and sinking fund payments payable on any outstanding preferred stock have been paid or set aside for payment. We are current in the payment of such dividends and sinking fund payments.

CAPITALIZATION

The following table sets forth Artesian Resources' capitalization as of December 31, 1998 and as adjusted to give effect to the sale of the Class A Non-Voting Common Stock and the application of net proceeds as described under "USE OF PROCEEDS." The following should be read in conjunction with the Financial Statements and the Notes thereto of Artesian Resources which are included in this Prospectus. See "INDEX TO CONSOLIDATED FINANCIAL STATEMENTS."

<TABLE>
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	AS OF DECEMBER 31, 1998 (DOLLARS IN THOUSANDS)			
	ACTUAL		AS ADJUSTED(1)	
	AMOUNT	PERCENT	AMOUNT	PERCENT
<S>	<C>	<C>	<C>	<C>
Long-term debt, net of current portion	$32,053	53.0%	$32,053	45.8%

9.96% Cumulative Prior Preferred Stock -- mandatorily redeemable	500	0.8%	500	0.7%
7% Prior Preferred Stock	272	0.5%	272	0.4%
Common stockholders' equity:				
Class A Non-Voting Common Stock (2)	1,291		1,691	
Class B Voting Common Stock	512		512	
Additional paid-in capital	18,073		27,123	
Retained earnings	7,785		7,785	
Total common stockholders' equity	27,661	45.7%	37,111	53.1%
Total capitalization	$60,486	100.0%	$69,936	100.0%

</TABLE>

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(1) Reflects the sale of 400,000 shares of Class A Non-Voting Common Stock at an assumed offering price of $25.25 per share, less estimated Underwriters' discounts and offering expenses of $650,000.

(2) Excludes 84,057 shares of Class A Non-Voting Common Stock issuable upon the exercise of outstanding options, at a weighted average exercise price of $15.21 per share, of which 72,903 were fully vested and exercisable.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth certain historical financial information with respect to Artesian Resources on a consolidated basis as of and for each year in the five-year period ended December 31, 1998. This table should be read in conjunction with the consolidated financial statements, related notes and other financial information included in this Prospectus. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Operating revenues					
Water sales	$ 25,096	$22,003	$20,547	$20,526	$18,720
Other revenue	370	337	345	2,105	2,292
Total operating revenues	25,466	22,340	20,892	22,631	21,012
Operating expenses					
Operating and maintenance (1)	14,273	12,775	12,154	14,297	13,014
Depreciation and amortization	2,183	2,441	2,193	2,240	1,986
State and federal income taxes	1,808	1,278	1,096	791	963
Property and other taxes	1,535	1,439	1,348	1,370	1,235
Total operating expenses	19,799	17,933	16,791	18,698	17,198
Operating income	5,667	4,407	4,101	3,933	3,814
Other income (expense), net	215	158	94	33	6
Total income before interest charges	5,882	4,565	4,195	3,966	3,820
Interest charges	3,162	2,580	2,536	2,759	2,334

Net income	2,720	1,985	1,659	1,207	1,486
Dividends on preferred stock	82	93	105	119	131
Net income applicable to common stock	$ 2,638	$ 1,892	$ 1,554	$ 1,088	$ 1,355
Net income per share of common stock:					
Basic	$ 1.47	$ 1.07	$ 1.03	$ 1.05	$ 1.34
Diluted	$ 1.45	$ 1.07	$ 1.03	$ 1.05	$ 1.34
Average shares of common stock outstanding:					
Basic	1,796	1,762	1,509	1,032	1,011
Diluted	1,816	1,775	1,515	1,034	1,013
Cash dividends per share of common stock	$ 0.97	$ 0.92	$ 0.90	$ 0.63	$ 0.60

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	AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
	(IN THOUSANDS, EXCEPT OPERATING DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:					
Utility plant, at original cost less accumulated depreciation	$109,780	$97,694	$88,993	$83,160	$73,238
Total assets	119,376	107,867	99,708	96,841	87,453
Notes payable	7,704	1,164	25	9,225	1,525
Long-term debt and redeemable preferred stock, including current portions	32,696	32,861	27,434	25,876	26,127
Stockholders' equity	27,933	26,587	25,759	15,668	15,000
Total capitalization	60,486	59,290	52,695	34,086	40,625
OPERATING DATA:					
Average water sales per customer	$ 419	$ 376	$ 359	$ 367	$ 344
Water pumped (millions of gallons)	6,739	6,637	6,419	6,561	6,506
Number of metered customers	60,688	59,218	57,934	56,672	55,097
Miles of water main	820	797	781	763	746

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(1) For the year ended December 31, 1995, includes a write-down of $784 in connection with our sale of an office building and a $128 loss on our disposal of Artesian Laboratories, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

OVERVIEW

Artesian Water, our principal subsidiary, is the oldest and largest regulated public water utility in the State of Delaware and has been providing water within the state since 1905. We distribute and sell water to residential, commercial, industrial, governmental, municipal and utility customers throughout Delaware. As of December 31, 1998, we had approximately 61,000 metered customers and served a population of approximately 200,000, representing approximately 27% of Delaware's total population. We believe that we have a reputation for providing water and service of superior quality to our customers.

The Delaware Public Service Commission regulates Artesian Water's rates charged for water service, the sale and issuance of securities, mergers and other matters. We periodically seek rate increases to cover the cost of increased operating expenses, increased financing expenses due to additional investments in utility plant and other costs of doing business. Increases in customers served by Artesian Water also contribute to increases in our operating revenues, although such increases have been offset slightly by reductions in customers' individual usage. We continue our efforts to contain expenses and improve efficiencies which contribute to increases in our operating income. Our business also is subject to seasonal fluctuations and the effects of weather.

1998 COMPARED TO 1997

Operating Revenues

We realized 98.5% of our total revenue in 1998 from the sale of water. Water sales revenue increased $3,093,000, or 14.1%, for the year ended December 31, 1998 compared to 1997. The increase was primarily due to rate increases placed in effect in late 1997 and in 1998, and to a 2.5% increase in the number of customers served, which was slightly offset by a decrease in usage per customer.

Operating Expenses

Operating and maintenance expenses increased $1,498,000, or 11.7%, primarily due to increased payroll and related expenses and increased regulatory expenses, including rate case amortization. The ratio of operating and maintenance expense to total revenue was 56.0% for the year ended December 31, 1998, compared to 57.2% for the same period in 1997. Payroll and related expenses increased $517,000, or 8.7%, primarily due to the addition of new employees and increases in annual merit and incentive compensation. Rate case amortization expense increased $249,000, or 223.0%, due to the use of a two-year amortization period for a portion of deferred rate case costs. Rent expense increased $193,000, or 271.8%, due to the renewal of the office building lease with White Clay Realty effective January 1, 1998, which is classified as an operating lease. Repair and maintenance expense increased $251,000, or 41.0%, due to the timing of storage tank maintenance.

Depreciation and amortization expense decreased $258,000, or 10.6%, due to the treatment of the renewed White Clay Realty lease as an operating lease and lower book depreciation rates approved in our last rate case. Income tax expense increased $530,000, or 41.5%, reflecting our increased profitability in 1998. Our total effective income tax rate for 1998 was 39.9% compared to 39.7% for 1997.

Interest Charges

Interest charges increased $582,000, or 22.6%, primarily due to a higher average level of debt outstanding, which was partially offset by a slightly lower average interest rate for 1998. The increase in the average debt outstanding was partly attributable to our issuance of $10 million of Series M and $5 million of Series N First Mortgage Bonds in June and September 1997, respectively.

Net Income

For the year ended December 31, 1998, our net income applicable to common stock increased by $746,000, or 39.4%, compared to the same period in 1997. The increase in net income was primarily due to rate increases placed in effect in late 1997 and in 1998, and to the addition of new customers, which was slightly offset by a decrease in usage per customer. Net income also increased as a result of our cost control programs.

1997 COMPARED TO 1996

Operating Revenues

We realized 98.5% of our total revenue in 1997 from the sale of water. Water sales revenue increased $1,456,000, or 7.1%, for the year ended December 31, 1997 compared to 1996. The increase primarily resulted from increased customer usage attributable to improved weather conditions in 1997, and to a 2.2% increase in the number of customers we served and a rate increase placed in effect in late 1997.

Operating Expenses

The ratio of operating and maintenance expense to total revenue was 57.2% for the year ended December 31, 1997, compared to 58.2% for the same period in 1996. Payroll and related expenses increased $327,000, or 5.8%, due to salary adjustments and increases in annual merit and incentive compensation. Reductions in pension and health-related benefit costs offset salary increases by $107,000.

Depreciation and amortization expense increased $248,000, or 11.3%, primarily due to an overall increase in our utility plant in service at December 31, 1997. Income tax expense increased $182,000, or 16.6%, reflecting our increased profitability in 1997. Property and other taxes increased $91,000, or 6.8%, primarily due to an increase in local real estate property taxes. Our total effective income tax rate for 1997 was 39.7% compared to 39.8% for 1996.

Interest Charges

Interest charges increased $44,000, or 1.7%, primarily due to the refinancing of our short-term lines of credit through the issuance of Series M and Series N First Mortgage Bonds in June and September 1997, respectively.

Net Income

For the year ended December 31, 1997, our net income applicable to common stock increased by $338,000, or 21.8%, compared to the same period in 1996. The increase in net income primarily resulted from increased customer usage attributable to improved weather conditions in 1997, and to a 2.2% increase in the number of customers we served and a rate increase placed in effect in late 1997. Net income also increased as a result of our cost control programs.

LIQUIDITY AND CAPITAL RESOURCES

OVERVIEW

Our primary sources of liquidity for 1998 were $6.5 million borrowed on our short-term lines of credit and $7.4 million provided by cash flow from operating activities. Cash flow from operating activities was primarily provided by our utility operations, and is impacted by operating and maintenance expenses, the timeliness and adequacy of rate increases and weather conditions.

We rely on our sources of liquidity for investments in our utility plant and systems and to meet our various payment obligations. We currently estimate that our aggregate investments in our utility plant and systems in 1999 will be approximately $15.5 million. Our total obligations related to dividend and sinking fund payments on preferred stock, interest payments on indebtedness, rental payments and water service interconnection agreements for 1999 are anticipated to be approximately $5.6 million.

INVESTMENT IN UTILITY PLANT AND SYSTEMS

Capital expenditures increased by approximately $3.1 million for the year ended December 31, 1998, or approximately 27.5% over capital expenditures recorded in 1997. Investment in utility plant, excluding amounts contributed by real estate developers, increased by $2.5 million, or 22.9%, from $10.9 million recorded in 1997 to $13.4 million in 1998. In addition, developers financed $2.1 million for the installation of water mains and hydrants serving their developments, compared to $1.7 million financed by developers in 1997. We continued our efforts to locate and develop new sources of water supply, particularly in southern New Castle County, investing over $3.3 million in 1998 in new wells and treatment facilities for water service for new developments and to supply a potential new industrial customer in southern New Castle County. The replacement and renewal of transmission mains and related costs totaled $1.3 million. We also were required to invest over $1.7 million for the relocation of existing facilities resulting from government-mandated roadway construction projects. Investments in new transmission and distribution facilities totaled

$4.7 million. We invested approximately $1.3 million in other general utility plant, including system automation.

We intend to invest over $15.5 million in utility plant in 1999. Developers are expected to finance an additional $2.8 million in utility plant construction. We expect to invest approximately $7.8 million in new sources of water supply, new treatment facilities, rehabilitation of current facilities and our Aquifer Storage and Recovery system. The single largest project we will undertake in 1999 is the first phase of a two-phase project in Sussex County which includes a new transmission main, a treatment facility and an elevated storage tank with a total cost of approximately $6.0 million. As part of our replacement and renewal program, we will be investing an additional $0.9 million to improve treatment facilities at 15 different locations. In addition, we have projected an investment of $1.3 million in other general plant.

The remaining $5.5 million of anticipated investments is for projects for which the timing of initiation and completion are directly influenced by the needs of developers or governmental agencies. The primary projects include wells, treatment facilities and transmission systems for prospective developments in southern New Castle, Kent and Sussex Counties totaling approximately $4.3 million. In addition, we have projected nearly $1.2 million for the relocation of existing mains as a result of government-mandated roadway construction. With the exception of the state highway relocation projects, we may exercise some discretion in the exact timing of many of these expenditures.

FINANCING

We have several sources of liquidity to finance our investment in utility plant and other fixed assets. Developer advances and contributions in aid of construction are used for the installation of mains and hydrants in new developments. We estimate that approximately $15.5 million of our capital expenditures will be financed by our operations and external sources, including a combination of capital contributions and short-term borrowings under our revolving credit agreements discussed below. The remaining $2.8 million of capital expenditures will be financed by developers.

At December 31, 1998, we had a working capital deficit of $8.5 million mainly due to borrowings on our lines of credit and an increase in accounts payable associated with the volume of utility plant construction projects currently in progress. We anticipate that the proceeds from this offering will enable us to eliminate our working capital deficit.

At December 31, 1998, Artesian Water had lines of credit with three separate financial institutions totaling $35.0 million to meet its temporary cash requirements. These revolving credit facilities are unsecured. As of December 31, 1998, we had $27.3 million of available funds under these lines. The interest rate for borrowings under each of these lines is the London Interbank Offering Rate plus 1.0% or the bank's federal funds rate plus 1.0%, at our discretion. All the facilities are reviewed annually by each bank for renewal.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. We adopted this statement effective January 1, 1998, and have no components of comprehensive income to report.

In June 1997, FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information," which established standards for reporting information about operating segments in interim financial reports issued to shareholders. It also established standards for related disclosure about products and services, geographic areas and major customers. We adopted this statement effective January 1, 1998.

In February 1998, FASB issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosure about Pension and Other Postretirement Benefits," which revised employers' disclosures about pensions and other postretirement benefit plans, and did not change the measurement or recognition of those plans. We adopted this statement effective December 31, 1998.

In June 1998, FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which established accounting and reporting standards for derivative instruments and hedging activities. We plan to adopt this statement effective January 1, 2000. Our adoption of this statement will not have a material impact on our financial condition or results of operations.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement is effective for financial statements for fiscal years beginning after December 15, 1998. Earlier application is encouraged in fiscal years for which annual financial statements have not been issued. We implemented this statement in the first quarter of 1998 and it did not have a material impact on our financial condition or results of operations.

YEAR 2000 COMPLIANCE

Our management has completed an assessment of all our information and non-information technology systems and implemented a company-wide program which continues to test and correct all of our critical systems to ensure Year 2000 compliance. We have dedicated the financial, technical and management resources required to achieve Year 2000 compliance. We identified the critical systems for our operations and expect to be compliant by June 30, 1999. Additionally, in 1998, we adopted management practices which require that any new systems or system upgrades be Year 2000 compliant prior to their purchase and implementation.

In 1998, we undertook a comprehensive program to assess providers of critical services for the purpose of identifying and minimizing exposure to Year 2000 risks that are not under our direct control. We are currently developing contingency plans which we expect to be in place by June 30, 1999. Contingency plans include, but are not limited to, the installation of back-up generators in case of power loss; increasing inventory levels in late 1999 for crucial materials and supplies, including gasoline, diesel fuel and water treatment chemicals; and identifying alternate providers in case our primary providers cannot meet delivery requirements.

We are completing our Year 2000 compliance program in the normal course of business and do not anticipate a material impact on our business, results of operations, liquidity or capital resources. As a result of our corporate automation plan developed in 1994, we have capitalized $395,000 during the year ended December 31, 1998 on new computer software and hardware, some of which replaced software and hardware which was not Year 2000 compliant. We do not anticipate any significant capital expenditures for computer software and hardware in 1999 for the purpose of achieving Year 2000 compliance.

OUR COMPANY

INTRODUCTION

Artesian Water, our principal subsidiary, is the oldest and largest regulated public water utility in the State of Delaware and has been providing water within the state since 1905. We distribute and sell water to residential, commercial, industrial, governmental, municipal and utility customers throughout Delaware. As of December 31, 1998, we had approximately 61,000 metered customers and served a population of approximately 200,000, representing approximately 27% of Delaware's total population. We believe that we have a reputation for providing water and service of superior quality to our customers.

MARKET AND SERVICE AREA

Our current market area is the State of Delaware, which had a population of approximately 744,000 at July 31, 1998. According to the Delaware Economic Development Office, Delaware's population has increased by approximately 7% over the six-year period ended July 31, 1998. Most of our existing exclusive franchised service areas and customers are in New Castle County in northern Delaware. Although New Castle is the most populous of Delaware's three counties, Sussex County, in southern Delaware, has experienced the most significant growth with a population increase of approximately 15% over the last six years. Substantial portions of Delaware, particularly outside of New Castle County, are not served by a public water system and represent potential new exclusive franchised service areas for Artesian Water. We continue to focus resources on developing and serving existing service territories and obtaining new territories throughout the state.

In Delaware, a Certificate of Public Convenience and Necessity issued by the Delaware Department of Natural Resources and Environmental Control grants a water company the exclusive right to serve all existing and new customers within a designated area. In this Prospectus, we refer to these Certificates as "CPCNs" or "franchises." We hold CPCNs for approximately 140 square miles of exclusive service territory, which is segmented into a number of service areas. Our largest connected regional water system, consisting of approximately 101 square miles and 60,000 customers, is located in northern Delaware. A significant portion of our exclusive service territory remains undeveloped, and if and when development occurs and there is population growth in these areas, we will increase our customer base by providing water service to the newly developed areas and new customers. Within our existing service territory, we hold CPCNs for over 3,000 acres zoned for industrial and manufacturing development. Nearly 2,000 of these acres have been targeted for development by the Delaware Economic Development Office, a state agency whose primary objective is to attract business and industry to Delaware, and we are partnering with the state to market these sites for industrial and manufacturing development.

Since 1993, we have been significantly expanding our service territory by acquiring new exclusive service areas in Delaware through grants of CPCNs. This expansion, which has occurred in southern New Castle, Kent and Sussex Counties, has increased our exclusive service area in Delaware by approximately 40% since 1993. The pursuit of new service territory in the State of Delaware by water companies is competitive.

The total number of customers we serve has grown at an average annual rate of approximately 2.5% for the last five years. We expect to continue to increase our customer base as a result of population growth, development in our existing exclusive service areas, acquisition of new service areas and our innovative marketing initiatives.

STRATEGIC INITIATIVES

Our objective is to maintain and strengthen our position as a leading industry innovator and provider of high quality water and superior service throughout the State of Delaware. The following are the key strategic initiatives to achieve our objective:

GROWTH STRATEGY

Expand Our Customer Base in Existing Exclusive Service Territories. We intend to increase our customer base and revenues in Delaware by providing water service to new residential, commercial and industrial customers as growth occurs in previously undeveloped areas within our existing

exclusive service territory. We also plan to increase water sales to municipalities, within our existing service territory, which are currently served by private wells. For example, we recently acquired the rights to provide water to two municipalities and neighboring developments in Sussex County providing us the opportunity to serve approximately 3,000 new customers. We began construction in December 1998 of a fully integrated water system to serve both municipalities and we expect to add these new customers over the next three years. We believe that our average annual customer growth rate will increase during the foreseeable future as a result of these investments and our overall marketing efforts.

Expand Service Area and Customer Base Through Acquisition of New Exclusive Service Territories. We intend to continue our service territory expansion by applying for additional franchises for service territory as land development progresses and may also expand through possible acquisitions of existing water systems. Since 1993, we have focused our expansion efforts in the higher growth areas of Delaware, primarily in southern Delaware. We believe that we have significant opportunities to acquire additional exclusive service territory in southern Delaware because substantial portions of this area remain undeveloped and are not presently served by a municipal water system or covered by a franchise granting exclusive rights to provide water service to any water company.

Pursue Contract Management and Supply Agreements with Municipalities and Utilities. We believe we have significant opportunities to enter into agreements with municipalities and other utilities to provide contract management of water systems, provide operational expertise and supply water. We have been actively pursuing those relationships and entered into agreements in 1998 to supply water to two municipalities in New Castle County. We believe these agreements provide additional opportunities to increase the number of customers we serve.

OPERATIONAL STRATEGY

Promote Competitive Advantage of High Quality Water and Infrastructure. We have a reputation, as shown by customer surveys, for providing water of consistently superior quality to customers. We believe our water quality and significant investment in infrastructure give Artesian Water a competitive edge in increasing our customer base and expanding our service territory. Our groundwater sources and water system infrastructure contribute to our high water quality. Our wells are drilled into aquifers accessing groundwater, which generally is higher quality water than water from surface sources such as rivers and creek basins. Additionally, our wells generally access deeper aquifers which may provide better water quality than wells accessing more shallow aquifers due to the possibility of land use contamination at more shallow levels. Our maintenance program for transmission and distribution lines and the construction of new lines also focuses on water quality. Our standard practice is to install ductile iron pipe, which has greater longevity and superior ability to withstand wear and tear compared to plastic pipe and other alternatives, to ensure that the water transmission process maintains the quality of water pumped from our wells. We believe that our significant investment in infrastructure lowers the potential for costly and disruptive repairs to our water transmission systems in the future.

Secure Long-Term Sources of Self-Supply. We have identified sufficient sources of groundwater supply to serve our expanding customer base for the foreseeable future. Our self-supply has increased from 63% of our total water supply in 1992 to approximately 80% in 1998. Since 1992, we have increased our sources of groundwater supply from our own wells by 50%, or nearly nine million gallons per day, and plan to continue development of new sources of groundwater supplies previously identified. In addition, by developing and using innovative storage techniques, such as our Aquifer Storage and Recovery program, we will be able to store large quantities of treated water to meet the peak demands on Artesian Water and neighboring utilities to which we could sell excess water at bulk rates. We believe we can place in operation a system of such storage and recovery wells which will eliminate the need for more costly alternative storage options such as surface reservoirs. Wells of this type have been used successfully in a number of east coast states, including New Jersey and Florida, where soil conditions permit the use of this water storage technique.

Promote Superior Customer Service and Demand Side Management. We maintain a corporate-wide customer relations and marketing program to support our efforts to expand our operations and provide superior service to our existing customer base. We believe our customer relations program differs from traditional water industry approaches. We train all employees who have customer contact, including meter readers and meter installation personnel, to handle issues traditionally addressed only by customer service representatives. Our marketing efforts also include advertising, direct-mail marketing campaigns, community outreach and conservation education programs. We also sponsor community events, develop relationships with developers and landowners and participate in policy-making political, educational and legislative forums with state, county and municipal government officials. With respect to the demand side, we actively promote measures which will encourage our customers to conserve water. We employ a rate structure which shifts the incremental cost of providing increasing supplies to those customers who use comparatively higher volumes of water. In addition, we continue to provide a comprehensive water education program to elementary school children and conservation devices to homeowners at reasonable prices. We have recorded a decrease in per capita consumption of approximately 10% since the beginning of the program. We believe such decreases based on conservation efforts will permit us to avoid unnecessary capital expenditures to meet peak water demands, which in turn benefits our customers by lowering costs.

WATER SUPPLY

Our primary sources of water are our wells that pump groundwater from aquifers and other formations. To supplement our groundwater supply, we purchase surface water through interconnections only in the northern service area of our northern New Castle County system. The purchased surface water is blended with our groundwater supply for transmission to our customers. Nearly 80% of the overall 6.7 billion gallons of water we distributed in all our systems during 1998 came from our groundwater wells, while the remaining 20% came from interconnections with other utilities and municipalities. During 1998, our average rate of water pumped was approximately 14.5 million gallons per day ("mgd") from our groundwater wells and approximately 3.8 mgd was supplied from interconnections. Our peak water supply capacity currently is approximately 48.0 mgd. Our peak water demand in 1998 was approximately 24.3 mgd. We believe that we have in place sufficient capacity to provide water service for the foreseeable future to all existing and new customers in all of our service territories.

We have 72 operating and 46 monitoring wells in our systems. Our northern New Castle County system is interconnected. In the remainder of the state, we have several satellite systems which have not yet been connected by transmission and distribution facilities. We intend to join these systems into larger integrated regional systems through the construction of a transmission and distribution network as development continues and our expansion efforts provide us with contiguous exclusive service territories.

We have 14 interconnections with four neighboring water utilities and four municipalities which provide us with the ability to purchase or sell water. Interconnection agreements with Chester Water Authority and one municipality have "take or pay" clauses requiring us to take, as of December 31, 1998, minimum draws totaling 1.3 billion gallons annually. We presently use the minimum draws under these agreements. The Chester Water Authority agreement, which expires in 2021, provides for a renewal period of an additional 25 years at our option, subject to the approval of the Susquehanna River Basin Commission. We recently decided not to renew one interconnection agreement with the municipality, which reduced our overall take or pay requirement by 100 million gallons annually. Our remaining take or pay agreement with that municipality expires and is renewable in December 2001. All of the interconnections provide Artesian Water the ability to sell water to neighboring water utilities or municipalities.

Water Allocation

Under state laws and regulations, we are required to file applications with the Delaware Department of Natural Resources and Environmental Control for water allocation permits for each of our production wells pumping quantities of water above certain levels. Presently, we have permits for 59 wells, permit applications pending for nine wells and four wells not requiring a permit. Our access to aquifers within our service territory is not exclusive. Water allocation permits control the amount of water which can be drawn from water resources and are granted with specific restrictions on water level draw down limits, annual, monthly and daily pumpage limits, and well field allocation pumpage limits. Our ability to supply the demands of our customers has not been affected by private usage of the aquifers by landowners or the limits imposed by the state. Because of the extensive regulatory

requirements relating to the withdrawal of any significant amounts of water from the aquifers, we believe that third party usage of the aquifers within our service territory will not interfere with our ability to meet the present and future demands of our customers.

TRANSMISSION AND DISTRIBUTION FACILITIES

At the end of 1998, we were serving customers through 820 miles of transmission and distribution mains. Mains range in diameter from two inches to twenty-four inches, and most of the mains are made of ductile iron, cast iron or transite pipe. Ductile iron is more durable than plastic and we install ductile iron pipes wherever possible. We are installing a more durable type of plastic pipe only near ocean front property in southern Delaware where corrosive conditions of the surrounding ground affect the longevity of ductile iron pipe. We also supply public fire protection service through 3,053 hydrants installed throughout our service territories.

We have 24 storage tanks, most of which are elevated, providing total system storage of 36 million gallons. We also are developing and using an aquifer storage and recovery system. At some locations, we rely on hydropneumatic tanks to maintain adequate system pressures. Where possible, we will combine our smaller satellite systems with systems having elevated storage facilities. We are currently constructing a 500,000 gallon elevated storage facility to serve our newest service territory in the resort communities in Sussex County.

We assess the capacity of our systems on an ongoing basis, including through the use of computerized demand modeling, to determine adequate pressures under all load conditions. We initiate plans to construct pumping, transmission and storage facilities as identified by the modeling process.

We pump all of our water with electric power purchased from a major electric utility. We also have diesel and propane powered generating equipment at selected treatment and elevated storage facilities for the provision of basic water service during possible electrical outages.

WATER TREATMENT

We derive about 90% of our self-supplied groundwater from wells located in the Coastal Plain. The remaining 10% comes from wells in the Piedmont area. We use a variety of treatment methods, including aeration, pH adjustment, chlorination, fluoridation and iron removal, to meet state and federal water quality standards. Additionally, a corrosion inhibitor is added to all of our self-supplied groundwater and most of the supply from interconnections. We have 28 different water treatment facilities. All water supplies that we purchase from neighboring utilities are potable. We believe the costs of treating groundwater are significantly lower than those of treating surface water, which benefits customers in our service areas.

Delaware enacted legislation in 1998 requiring water utilities to meet secondary water quality standards which include limitations on iron content, odor and other water quality-related issues which are not proven health risks but may be objectionable for consumption. We believe our current treatment systems and facilities as designed meet or exceed these secondary standards and that the new standards should not impose a significant financial burden on Artesian Water.

UTILITY PLANT CONSTRUCTION PROGRAM

We had capital expenditures of approximately $14.3 million for 1998 and $33.7 million for the three-year period ended December 31, 1998. We estimate that we will incur capital expenditures of approximately $15.5 million in 1999 and have budgeted capital expenditures of approximately $42.0 million during the three-year period ending December 31, 2001. Our planned 1999 capital expenditures include approximately $7.2 million for the construction, upgrading and maintenance of transmission and distribution facilities, $4.4 million for the construction, upgrading and maintenance of pumping and treatment facilities, $1.9 million for identifying and developing new sources of supply and $2.0 million for other general plant.

A major part of our planned capital expenditures is a $14.5 million investment over the three-year period beginning January 1, 1999 for new transmission and distribution facilities to improve hydraulics, connect separate systems into regional service systems and provide water service to new service territories. Included in this planned investment is a $6.0 million transmission and distribution system project we began in December 1998 to provide water service to two municipalities and neighboring developments in Sussex County, which we anticipate will provide Artesian Water an

opportunity to serve 3,000 new customers. Additionally, we will continue our main replacement and renewal program to improve water quality and reduce expenses related to maintenance and repairs for older mains. We also intend to continue our efforts to secure an assured long-term source of supply and have budgeted nearly $6.0 million for 1999 for new sources of supply and treatment facilities. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS -- Liquidity and Capital Resources."

CUSTOMERS

At December 31, 1998, we provided water service on a retail basis to residential, commercial, industrial and governmental customers through over 61,000 meters throughout our service territory serving a population of approximately 200,000. In addition, we provided water service on a wholesale basis to four municipalities and four investor-owned utilities. We also provide water for public and private fire protection to customers in our service territories. Our gross water sales revenue for 1998 was approximately $25.1 million, and our percentages of gross water sales revenue by major customer classifications were 62.4% for residential, 28.4% for commercial, industrial, governmental, municipal and utility and 9.2% for fire protection. These percentages have remained fairly constant for the past three years.

REGULATION

We are subject to regulation by federal, state and local agencies with respect to, among other things, rates charged for water service, awards of new service territory, water allocation rights, water quality and environmental matters.

Rates

Artesian Water, as a public utility, is regulated by the Public Service Commission with respect to rates and charges for service, the sale and issuance of securities, mergers and other matters. We periodically seek rate increases to cover the cost of increased operating expenses, increased financing expenses due to additional investments in utility plant and other costs of doing business.

We currently derive our water service revenues from water consumption upon which base rates are applied, which were last increased as of May 13, 1998 following the fourth consecutive settlement of our rate proceedings prior to administrative hearings before the Public Service Commission. The May 1998 rate increase authorized a return on equity rate of 10.85%, with an overall rate of return on rate base of 9.51%. We currently anticipate that we will file for a rate increase during the first half of 1999, but we cannot predict when we will request approval for a rate increase or whether the Public Service Commission will approve the requested increase, approve a smaller increase or deny any such request.

Certificates of Public Convenience and Necessity

A public water utility operating in Delaware must obtain a Certificate of Public Convenience and Necessity for a service territory to begin or expand its operations, which is granted by the Delaware Department of Natural Resources and Environmental Control. We refer to the Department in this discussion of regulations as "DNREC." DNREC grants a CPCN under circumstances where there has been a determination that the water in the proposed service area does not meet the regulations governing drinking water standards of the State Board of Health for human consumption, where the supply is insufficient to meet the projected demand, or where the applicant is in possession of one of the following: (i) a signed service agreement with the developer of a proposed subdivision or development, which subdivision or development has been duly approved by the respective county government; (ii) a petition requesting such service signed by a majority of the landowners of the proposed territory to be served; or (iii) a duly certified copy of a resolution from the governing body of a county or municipality requesting the applicant to provide service to the proposed territory to be served. CPCNs are not transferable, and a water utility must obtain the approval of the Public Service Commission to abandon a service territory once granted.

Water Quality

The United States Environmental Protection Agency (the "EPA"), DNREC and the Delaware Division of Public Health regulate the water quality of our treatment and distribution systems. We believe that we are in material compliance with all current federal and state water quality standards, including regulations under the federal Safe Drinking Water Act. Chester Water Authority, which supplies water to Artesian Water through interconnections in northern New Castle County, is regulated by the Pennsylvania Department of Environmental Protection as well as the EPA.

As required by the Safe Drinking Water Act, the EPA has established maximum contaminant levels for various substances found in drinking water. The Division of Public Health has set maximum contaminant levels for certain substances which are more restrictive than the maximum contaminant levels set by the EPA. The Division of Public Health is the EPA's agent for enforcing the Safe Drinking Water Act in Delaware and, in that capacity, monitors the activities of Artesian Water and reviews the results of water quality tests performed by Artesian Water for adherence to applicable regulations. Artesian Water is also subject to other laws regulating substances and contaminants in water, including the Lead and Copper Rule, rules for volatile organic compounds and the Total Coliform Rule. Because we have no surface water sources of supply which we treat for consumption, the Surface Water Treatment Rule generally does not apply to us.

PROPERTIES

The corporate headquarters of Artesian Resources and Artesian Water are located at 664 Churchmans Road, Newark, Delaware. The property is leased by Artesian Water from a related party through December 2002. The lease may be extended at our option for two more successive five-year renewal terms subject to the terms set forth in the lease.

We own land, transmission and distribution mains, pump facilities, treatment plants, storage tanks and related facilities within New Castle, Kent and Sussex Counties. We own total acreage, not including rights-of-way and easements, of approximately 674 acres, including 500 acres located next to our corporate headquarters. The adjacent site has been the subject of an Environmental Impact Study performed by the United States Army Corps of Engineers relating to the identification of a potential reservoir site and the environmental impact to the natural area at the prospective site; however, several other locations also are being evaluated for the site of a new reservoir in New Castle County. We also own approximately 52 acres of land which will be the site of a future well field and iron removal facility in northern New Castle County.

Artesian Development Corporation, a wholly owned subsidiary of Artesian Resources, owns approximately 12 acres zoned for light manufacturing located immediately adjacent to our corporate headquarters. Artesian Development has no present plans to purchase any new land or develop the acres it owns.

EMPLOYEES

As of December 31, 1998, we employed 142 full-time and 10 part-time employees, all of whom were non-unionized. Of this number, 14 were officers and managers; 92 were employed as operations personnel, including engineers, technicians, draftsman, maintenance and repair persons, meter readers and utility personnel; and 42 were employed in the accounting, budgeting, information systems, human resources, customer relations, public relations and conservation departments. The remaining four employees were administrative personnel. We believe that our employee relations are good.

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

<TABLE>
<CAPTION>

NAME	AGE	POSITION
<S>	<C>	<C>
Dian C. Taylor.........................	53	Chair of the Board, Chief Executive Officer and President of Artesian Resources and Subsidiaries
David B. Spacht........................	39	Vice President, Chief Financial Officer and Treasurer of Artesian Resources and Subsidiaries
Joseph A. DiNunzio.....................	36	Vice President and Secretary of Artesian Resources and Subsidiaries
Bruce P. Kraeuter......................	49	Vice President and Chief Engineer of Artesian Water
John M. Thaeder........................	40	Vice President of Operations of Artesian Water
Kenneth R. Biederman...................	55	Director
John R. Eisenbrey, Jr..................	43	Director
William H. Taylor, II..................	53	Director
William C. Wyer........................	52	Director

</TABLE>

DIAN C. TAYLOR has served as Chair of the Board since July 1993, and as President and Chief Executive Officer of Artesian Resources and our subsidiaries since September 1992. Ms. Taylor previously served as our Executive Vice President from April 1992 to September 1992, and as our Vice President of Corporate Development from August 1991 to April 1992. She was formerly a consultant to the Small Business Development Center at the University of Delaware from February 1991 to August 1991, and owner and President of Achievement Resources, Inc., a consulting firm specializing in strategic planning, marketing, entrepreneurial and human resources development, from 1977 to 1991. Ms. Taylor was a marketing director for SMI, Inc. from 1982 to 1985. Ms. Taylor is the cousin of William H. Taylor, II, and the aunt of John R. Eisenbrey, Jr.

DAVID B. SPACHT has served as Chief Financial Officer and Treasurer of Artesian Resources and our subsidiaries since July 1992, and was appointed a Vice President of each company in January 1995. In his positions, Mr. Spacht has primary responsibility for accounting, financial reporting, purchasing, rate-making and information systems. Mr. Spacht formerly held positions as our Assistant Secretary, Assistant Treasurer and Controller and held the same positions for our subsidiaries. He has been employed by Artesian Resources for seventeen years.

JOSEPH A. DINUNZIO has served as Secretary of Artesian Resources and our subsidiaries since July 1992, and was appointed a Vice President of each company in January 1995. In his positions, Mr. DiNunzio has primary responsibility for administration, planning and budgeting, customer relations and billing. Mr. DiNunzio formerly held positions as our Assistant Secretary and Manager of Budgeting and Financial Planning. Prior to joining Artesian Resources in 1989, Mr. DiNunzio was employed by Price Waterhouse for five years.

BRUCE P. KRAEUTER has served as Vice President and Chief Engineer of our subsidiary, Artesian Water, since January 1995. He was formerly our Manager of Engineering from March 1994 to January 1995, and has been employed by Artesian Water as an engineer since July 1989. Prior to joining Artesian Water, Mr. Kraeuter served as Senior Engineer with the Water Resources Agency for New Castle County, Delaware for fifteen years.

JOHN M. THAEDER has served as Vice President of Operations of Artesian Water since February 1998. He was Southeastern District Manager of Sales and Operations for Hydro Group, Inc. from 1996 to 1998, and previously was Sales Manager of Hydro Group's North East Division from 1995 to 1996. Mr. Thaeder was formerly a District Manager for Layne Well and Pump Division of Hydro Group from 1988 to 1995.

KENNETH R. BIEDERMAN has served as one of our directors since July 1991. Mr. Biederman has been a Professor of Finance since May 1996 and served as the Dean from 1990 to 1996 at the College of Business and Economics of the University of Delaware. He was formerly a financial and banking consultant from 1989 to 1990, and served as President of Gibraltar Bank from 1987 to 1989.

JOHN R. EISENBREY, JR. has served as one of our directors since July 1993. He has been the owner and President of Bear Industries, Inc., a privately held mechanical contracting firm specializing in fire protection, for over twelve years. Mr. Eisenbrey is the nephew of Dian C. Taylor.

WILLIAM H. TAYLOR, II has served as one of our directors since March 1998. Mr. Taylor has been the President and Certified Business Counselor of Susquehanna Corporation, a national affiliate of Business Brokers Network of Dallas, Texas, since 1995, and President of Taylor Capital Associates, investment brokers, since 1991. He previously was our President and Chief Operating Officer from 1990 to 1991, Vice President of Artesian Water from 1987 to 1990, and one of our directors from 1979 to 1991. Mr. Taylor was formerly President of Delaware Micrographics, Inc., a provider of microfiche services, from 1981 to 1995, and a Vice President of Butcher & Singer, Inc., an investment banking firm, from 1981 to 1987. Mr. Taylor is the cousin of Dian C. Taylor.

WILLIAM C. WYER has served as one of our directors since July 1991. Mr. Wyer has been Managing Director of Wilmington Renaissance Corporation (formerly Wilmington 2000), a private organization seeking to revitalize the City of Wilmington, Delaware, since January 1998, and previously held the same position from May 1993 to September 1995. He served as President of AllNation Life Insurance and as Senior Vice President of Blue Cross/Blue Shield of Delaware from September 1995 to January 1998. He was formerly President of Wyer Group, Inc. from 1991 to 1993, and of Commerce Enterprise Group from 1989 to 1991, both of which companies were management consulting firms specializing in operational reviews of businesses in the areas of productivity, overhead and competitiveness. Mr. Wyer served as President of the Delaware State Chamber of Commerce from 1978 to 1989.

CLASSES OF THE BOARD

Our Board of Directors is divided into three classes that serve staggered three-year terms. The terms of Dian C. Taylor and John R. Eisenbrey, Jr. will expire at the 1999 annual meeting of stockholders. Ms. Taylor and Mr. Eisenbrey have been renominated by our Board for reelection at the meeting to another three-year term. The term of Kenneth R. Biederman will expire at our 2000 annual meeting, and the terms of William H. Taylor, II and William C. Wyer will expire at our 2001 annual meeting.

DESCRIPTION OF CAPITAL STOCK

Our authorized capital stock consists of 3,500,000 shares of Class A Non-Voting Common Stock, par value $1 per share, 1,040,000 shares of Class B Voting Common Stock, par value $1 per share, 10,868 shares of 7% Prior Preferred Stock, par value $25 per share, 80,000 shares of Cumulative Prior Preferred Stock, par value $25 per share, and 100,000 shares of Series Preferred Stock, par value $1 per share.

Immediately after the sale of the 400,000 shares of Class A Non-Voting Common Stock offered by this Prospectus and assuming no exercise of outstanding stock options, there will be issued and outstanding 1,698,611 shares (1,758,611 shares if the Underwriters' over-allotment option is exercised in full) of Class A Non-Voting Common Stock, 514,154 shares of Class B Voting Common Stock, 10,868 shares of 7% Prior Preferred Stock and 20,000 shares of Cumulative Prior Preferred Stock. There are no shares of Series Preferred Stock outstanding. We sometimes refer to our 7% Prior Preferred Stock, Cumulative Prior Preferred Stock and Series Preferred Stock collectively as "Preferred Stock" in this "DESCRIPTION OF CAPITAL STOCK."

CLASS A NON-VOTING COMMON STOCK

Holders of shares of Class A Non-Voting Common Stock generally do not have voting rights under our Restated Certificate of Incorporation, as amended, with respect to the election of directors and other matters voted upon by stockholders. However, the Delaware General Corporation Law, which governs our stockholder matters, provides that the holders of Class A Non-Voting Common Stock must vote on certain matters affecting them, such as amendments to the Certificate of Incorporation that would:

(i) increase or decrease the aggregate number of authorized shares of Class A Non-Voting Common Stock in certain circumstances;

(ii) increase or decrease the par value of the Class A Non-Voting Common Stock; or

(iii) alter or change the powers, preferences or special rights of the shares of Class A Non-Voting Common Stock if such change would affect such shares adversely.

The vote required to approve such amendments is a majority of the outstanding shares of Class A Non-Voting Common Stock. We refer to these special type of voting requirements as "Statutory Class Voting Requirements" in this "DESCRIPTION OF CAPITAL STOCK." Additionally, we may not issue any shares of Series Preferred Stock without the approval of the holders of a majority of the shares of Class A Non-Voting Common Stock.

Subject to dividends that we may be required to pay on outstanding shares of Preferred Stock before we may pay dividends on other shares, the holders of Class A Non-Voting Common Stock are entitled to receive dividends, as, when and if declared from time to time by our Board of Directors out of funds legally available for such purpose. Our Certificate of Incorporation requires that we declare and pay the same dividend per share on the Class A Non-Voting Common Stock and on the Class B Voting Common Stock. There are no preemptive, conversion, subscription, redemption or sinking fund rights applicable to the Class A Non-Voting Common Stock. Holders of Class A Non-Voting Common Stock may participate in our Dividend Reinvestment Plan by automatically reinvesting cash dividends declared on all or a portion of their shares to purchase additional shares of Class A Non-Voting Common Stock. In the event of a liquidation, dissolution or winding up of Artesian Resources, the holders of Class A Non-Voting Common Stock are entitled to share pro rata with the holders of Class B Voting Common Stock in all assets and funds remaining after we pay outstanding liabilities and make required distributions to the holders of outstanding shares of Preferred Stock pursuant to our Certificate of Incorporation. All outstanding shares of Class A Non-Voting Common Stock are fully paid and non-assessable.

CLASS B VOTING COMMON STOCK

Except as otherwise described in this "DESCRIPTION OF CAPITAL STOCK" with respect to our other classes of stock, the right to vote for the election of directors and other stockholder matters is exercised exclusively by the holders of Class B Voting Common Stock. Holders of Class B Voting Common Stock are entitled to one vote per share on all matters voted upon by stockholders. Holders of shares of Class B Voting Common Stock do not have cumulative voting rights. There are no preemptive, conversion, subscription, redemption or sinking fund rights applicable to the Class B Voting Common Stock. Holders of Class B Voting Common Stock may participate in our Dividend Reinvestment Plan by automatically reinvesting cash dividends declared on all or a portion of their shares to purchase additional shares of Class B Voting Common Stock. In the event of a liquidation, dissolution or winding up of Artesian Resources, the holders of Class B Voting Common Stock are entitled to share pro rata with the holders of Class A Non-Voting Common Stock in all assets and funds remaining after we pay outstanding liabilities and make required distributions to the holders of outstanding shares of Preferred Stock pursuant to our Certificate of Incorporation. All outstanding shares of Class B Voting Common Stock are fully paid and non-assessable.

PREFERRED STOCK

The holders of 7% Prior Preferred Stock generally do not have voting rights under our Certificate of Incorporation. However, the Delaware General Corporation Law provides Statutory Class Voting Requirements for outstanding shares of 7% Prior Preferred Stock. The 7% Prior Preferred Stock is redeemable at our option, in whole or in part, from time to time at $30 per share plus accrued but unpaid dividends, provided that if we are in default on any dividend or sinking fund payment on any series of Cumulative Prior Preferred Stock, we may not redeem any shares of 7% Prior Preferred Stock or any series of Cumulative Prior Preferred Stock, other than redemption through a fixed sinking fund. The 7% Prior Preferred Stock is entitled to cumulative dividends at a rate of 7% per year out of funds legally available for such purpose, payable quarterly. The 7% Prior Preferred Stock and the Cumulative Prior Preferred Stock rank equally with respect to the payment of cash dividends. No dividends may be declared and paid on the Series Preferred Stock, Class A Non-Voting Common Stock or Class B Voting Common Stock (collectively, "Junior Stock") unless the full cash dividends on the 7% Prior Preferred Stock then outstanding have been paid or set apart for payment. In the event of a liquidation, dissolution or winding up of Artesian Resources or the sale by Artesian Resources of all of our assets, the holders of 7% Prior Preferred Stock are entitled, after payment of all liabilities, to be paid in cash the par value of their shares and any accrued but unpaid dividends before any amounts are paid to the holders of Junior Stock. The 7% Prior Preferred Stock and the Cumulative Prior Preferred Stock rank equally with respect to payments upon a liquidation, dissolution or winding up, except that a sale of all of the assets of Artesian Resources will not be deemed a liquidation, dissolution or winding up with respect to the Cumulative Prior Preferred Stock.

Our Certificate of Incorporation currently designates 40,000 shares of 9.96% Cumulative Prior Preferred Stock out of the 80,000 authorized shares of Cumulative Prior Preferred Stock. As of March 24, 1999, there were outstanding 20,000 shares of 9.96% Cumulative Prior Preferred Stock. The Certificate of Incorporation also designates 12,000 shares of 9 5/8% Cumulative Prior Preferred Stock, 10,000 shares of 8 1/2% Cumulative Prior Preferred Stock and 16,000 shares of 11 1/8% Cumulative Prior Preferred Stock, all of which have been issued and subsequently redeemed. Subject to certain stockholder approval requirements described below, the Board of Directors may fix the designations, preferences and other rights, limitations or restrictions of authorized and unissued Cumulative Prior Preferred Stock in a resolution providing for the initial issuance of any additional series of such stock. Generally, the consent of a majority of the outstanding shares of Series Preferred Stock and Class B Voting Common Stock is required for, among other things, an increase in the authorized amount of any series of Cumulative Prior Preferred Stock and the creation of one or more additional series of Cumulative Prior Preferred Stock. All series of Cumulative Prior Preferred Stock are of equal rank. We have no present plans to designate any additional series of Cumulative Prior Preferred Stock, increase

the authorized shares for any previously designated series or issue any additional shares of any previously designated series.

Except (i) for Statutory Class Voting Requirements, (ii) in the case of certain defaults in dividend or sinking fund payments described below, and (iii) as described below for certain actions by Artesian Resources, the holders of Cumulative Prior Preferred Stock generally do not have voting rights under our Certificate of Incorporation. If we are in default on dividend or sinking fund payments on any series of Cumulative Prior Preferred Stock for certain periods of time specified in our Certificate of Incorporation, the holders of Cumulative Prior Preferred Stock are entitled to vote as a class for not less than one-third (if the default continues for certain shorter periods) or a majority (if the default continues for certain longer periods), as the case may be, of the members of our Board of Directors. Upon cure of such defaults, voting rights revert to the Class B Voting Common Stock. All dividend and sinking fund payments on the Cumulative Prior Preferred Stock are current. The consent of at least three-fourths of the total number of shares of Cumulative Prior Preferred Stock then outstanding is required for Artesian Resources to:

(i) incur any long-term indebtedness that would result in total long-term indebtedness exceeding 65% of our capitalization;

(ii) create or authorize any class of stock or any obligation or security convertible into shares of stock unless such stock ranks junior to the Cumulative Prior Preferred Stock with respect both to the payment of dividends and distributions upon liquidation, dissolution or winding up of Artesian Resources;

(iii) amend, alter, change or repeal any of the provisions of our Certificate of Incorporation with respect to the purposes of Artesian Resources so as to substantially change such purposes, or amend, alter, change or repeal any of the terms of the Cumulative Prior Preferred Stock then outstanding in a manner prejudicial to the holders of such stock;

(iv) merge or consolidate if, among other things, the purposes of the resulting corporation would be substantially different from those of Artesian Resources or if any adverse change in the terms and provisions of the Cumulative Prior Preferred Stock would result;

(v) reissue any previously purchased, redeemed or retired shares of Cumulative Prior Preferred Stock; or

(vi) issue any shares of Cumulative Prior Preferred Stock or any stock senior to the Cumulative Prior Preferred Stock unless certain financial tests specified in our Certificate of Incorporation are met.

Artesian Resources may not, without the consent of a majority of the holders of shares of Cumulative Prior Preferred Stock of all series then outstanding, increase the total number of authorized shares of Cumulative Prior Preferred Stock of all series so that such authorized number exceeds 80,000 shares.

The outstanding Cumulative Prior Preferred Stock has no preemptive, conversion or other subscription rights. The 9.96% Cumulative Prior Preferred Stock has annual mandatory redemption requirements, and is redeemable on or after February 1, 1999 at our option at various declining prices. The outstanding shares of 9.96% Cumulative Prior Preferred Stock are mandatorily redeemable in certain circumstances at a price equal to par value plus accrued and unpaid dividends. Under our mandatory sinking fund provisions, redemptions will total $100,000 (4,000 shares) annually from 1999 through 2001. The shares of 9.96% Cumulative Prior Preferred Stock were not callable by Artesian Resources prior to February 1, 1999, at which time the shares became redeemable at our option, in whole or in part, from time to time at prices beginning at 103% of par value and declining thereafter to 100% of par value for the period after February 1, 2003, plus accrued but unpaid dividends. If dividends payable or sinking fund payments are in default on any series of Cumulative Prior Preferred Stock, Artesian Resources may not redeem any shares of 7% Prior Preferred Stock or any series of Cumulative Prior Preferred Stock other than redemption through a fixed sinking fund.

The 9.96% Cumulative Prior Preferred Stock is entitled to cumulative dividends out of funds legally available for such purpose payable quarterly at rates per annum upon the par value. The Cumulative Prior Preferred Stock and the 7% Prior Preferred Stock rank equally with respect to the payment of cash dividends. No dividends may be declared and paid on the Junior Stock unless the full cash dividends on the Cumulative Prior Preferred Stock then outstanding have been paid or set apart for payment. In the event of a liquidation, dissolution or winding up of Artesian Resources or the sale by Artesian Resources of all of our assets, the holders of the outstanding series of Cumulative Prior Preferred Stock are entitled, after we pay all outstanding liabilities, to be paid in cash the par value of their shares and any accrued but unpaid dividends before any amounts are paid to the holders of Junior Stock.

With the prior approval of the holders of a majority of the shares of Class A Non-Voting Common Stock, our Board of Directors may issue Series Preferred Stock from time to time in one or more series. The Board of Directors has the power to fix, subject to preferences that may be applicable to the 7% Prior Preferred Stock or Cumulative Prior Preferred Stock under our Certificate of Incorporation, the full, limited or no voting powers, and such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof of any such series of Series Preferred Stock.

The issuance of Series Preferred Stock, while providing us flexibility in connection with acquisitions and other corporate purposes, may be used by us, in certain circumstances, to create voting impediments to extraordinary corporate transactions or to frustrate persons seeking to effect a merger or otherwise gain control of Artesian Resources. We have no present plans to designate any series or issue any shares of Series Preferred Stock.

LIMITATIONS OF LIABILITY

Our Certificate of Incorporation provides that our directors will not be personally liable to Artesian Resources or our stockholders for monetary damages for a breach of fiduciary duty as a director, except for liability:

(i) for any breach of such person's duty of loyalty;

(ii) for acts and omissions not in good faith or involving intentional misconduct or a knowing violation of law;

(iii) for the payment of unlawful dividends and certain other actions prohibited by Delaware corporate law; and

(iv) for any transaction resulting in receipt by such person of an improper personal benefit.

We have a directors' and officers' liability insurance policy which affords our directors and officers with insurance coverage for losses arising from claims based on breaches of duty, negligence, error and other wrongful acts. At present, there is no pending litigation or proceeding, and we are not aware of any threatened litigation or proceeding, involving any director, officer, employee or agent where indemnification will be required or permitted under our Certificate of Incorporation or by-laws.

PROVISIONS WITH POSSIBLE ANTI-TAKEOVER EFFECTS

Our Certificate of Incorporation provides that we will be governed by Section 203 of the Delaware General Corporation Law which prohibits a "business combination" between a corporation and an "interested stockholder" within three years of the stockholder becoming an "interested stockholder." An "interested stockholder" is one who, directly or indirectly, owns 15% or more of the outstanding voting stock of the corporation. A "business combination" includes a merger, consolidation, sale or other disposition of assets having an aggregate value in excess of 10% of either the aggregate fair market value of the consolidated assets of the corporation or the aggregate market value of all the outstanding stock of the corporation, and certain transactions that would increase the

interested stockholder's proportionate share ownership in the corporation or which provide the interested stockholder with a financial benefit. These restrictions do not apply where:

(i) the business combination or the transaction in which the stockholder becomes interested is approved by the corporation's board of directors prior to the time the interested stockholder acquired its shares;

(ii) the interested stockholder acquired at least 85% of the outstanding voting stock of the corporation in the transaction in which the stockholder became an interested stockholder excluding, for determining the number of shares outstanding, shares owned by persons who are directors as well as officers and by employee stock plans in which participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

(iii) the business combination is approved by the board of directors and the affirmative vote of two-thirds of the outstanding voting stock not owned by the interested stockholder at an annual or special meeting.

The business combinations provisions of Section 203 of the Delaware General Corporation Law may have the effect of deterring merger proposals, tender offers or other attempts to affect changes in control of Artesian Resources that are not negotiated and approved by our Board of Directors.

We have adopted certain provisions in our Certificate of Incorporation and by-laws which may have anti-takeover implications. Our Certificate of Incorporation provides that, without the affirmative vote of at least 75% of the voting power of all of the then outstanding shares entitled to vote generally in the election of directors, voting together as a class, the by-laws and the provisions of the Certificate of Incorporation establishing a classified board of directors may not be altered, amended or repealed. These supermajority voting provisions, along with various supermajority voting provisions for certain classes of stock required for certain business combinations and other corporate actions described above, may have an effect of discouraging, delaying or preventing a change of control of Artesian Resources which may be at a premium above the prevailing market price. See "RISK FACTORS -- Our Principal Stockholders Effectively Control Our Company."

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for the Class A Non-Voting Common Stock is Registrar and Transfer Company, 10 Commerce Drive, Cranford, NJ 07016.

UNDERWRITING

Subject to the terms and conditions of an Underwriting Agreement among Janney Montgomery Scott Inc., the other Underwriters and us, the Underwriters have severally agreed to purchase from us and we have agreed to sell to the Underwriters the number of shares of Class A Non-Voting Common Stock set forth opposite their respective names below. Under certain circumstances the commitments of non-defaulting Underwriters may be increased. We refer to Janney Montgomery Scott Inc. in the discussion which follows as the "Representative."

UNDERWRITER	NUMBER OF SHARES
Janney Montgomery Scott Inc.	
Total..	

The Underwriting Agreement provides that obligations of the Underwriters to pay for and accept delivery of the Class A Non-Voting Common Stock are subject to the approval of certain legal matters of counsel and to certain other conditions. The Underwriters are obligated to take and pay for all of the shares of the Class A Non-Voting Common Stock offered by this Prospectus if any are taken (other than shares of Class A Non-Voting Common Stock covered by the over-allotment option described below).

The Underwriters propose to offer the shares of Class A Non-Voting Common Stock to the public initially at the offering price per share shown on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of $ per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $ per share to certain other dealers. After the public offering of the Class A Non-Voting Common Stock, the public offering price and the concessions may be changed by the Representative.

In addition to the discounts and commissions shown on the cover page of this Prospectus, we will pay to the Representative a non-accountable expense allowance of $50,000.

We have granted to the Underwriters an option for 30 days after the date of this Prospectus to purchase up to 60,000 additional shares of Class A Non-Voting Common Stock, at the same price per share as the public offering price, less the underwriting discounts and commissions shown on the cover page of this Prospectus. The Underwriters may exercise such option only to cover over-allotments in the sale of the shares of Class A Non-Voting Common Stock offered by this Prospectus. To the extent the Underwriters exercise this option, each of the Underwriters has a firm commitment, subject to certain conditions, to purchase a number of the additional shares of Class A Non-Voting Common Stock proportionate to such Underwriter's initial commitment as indicated in the preceding table.

In connection with this offering and in compliance with applicable securities laws, the Underwriters may over-allot (i.e., sell more shares of Class A Non-Voting Common Stock than is shown on the cover page of this Prospectus) and may effect transactions on the Nasdaq National Market which stabilize, maintain or otherwise affect the market price of the Class A Non-Voting Common Stock at levels above those which might otherwise prevail in the open market. Such transactions may include placing bids for the Class A Non-Voting Common Stock or effecting purchases of the Class A Non-Voting Common Stock for the purpose of pegging, fixing or maintaining the price of the Class A Non-Voting Common Stock or for the purpose of reducing a short position created in connection with the offering. A short position may be covered by exercise of the over-allotment option described above in place of or in addition to open market purchases. The Underwriters are not required to engage in any of these activities and if the Underwriters commence any of these activities, they may discontinue them at any time.

In connection with this offering, certain Underwriters, selling group members or their respective affiliates who are qualified market makers on the Nasdaq National Market may engage in passive market making transactions in our Class A Non-Voting Common Stock on the Nasdaq National Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934, as amended, during the five business days prior to the pricing of the offering before the commencement of offers and sales of the Class A Non-Voting Common Stock. Passive market makers must comply with applicable volume and price limitations and must be identified as such. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security. If all independent bids are lowered below the passive market maker's bid, however, such bid must then be lowered when certain purchase limits are exceeded.

We and the Underwriters make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Class A Non-Voting Common Stock. In addition, we and the Underwriters make no representation that the Underwriters will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

The Underwriters do not intend to confirm sales of the Class A Non-Voting Common Stock to any accounts over which they exercise discretionary authority.

Our directors and executive officers have agreed that they will not, directly or indirectly, sell or otherwise dispose of any Class A Non-Voting Common Stock (including any shares issued upon exercise of options) for a period of 90 days after the commencement of this offering, without the Representative's prior written consent. Together, this group owns, prior to the offering, approximately 7% of the outstanding shares of Class A Non-Voting Common Stock and approximately 91% of the outstanding options to purchase Class A Non-Voting Common Stock. We also have agreed to make no such sales during this period except in connection with the issuance of shares pursuant to our stock option plans, 401(k) and supplemental retirement plans and dividend reinvestment plan.

We have agreed to indemnify the Underwriters and persons who control the Underwriters against, or contribute to losses arising out of, certain liabilities that may be incurred in connection with this offering, including liabilities under the Securities Act of 1933, as amended.

LEGAL MATTERS

Certain legal matters relating to the validity of the shares of Class A Non-Voting Common Stock being offered by this Prospectus will be passed upon for Artesian Resources by Morgan, Lewis & Bockius LLP, Philadelphia, Pennsylvania. Certain legal matters will be passed upon for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania.

EXPERTS

The consolidated financial statements and schedule of Artesian Resources Corporation as of December 31, 1998 and 1997 and for each of the years in the three-year period ended December 31, 1998 have been included and incorporated herein by reference in this Prospectus in reliance on the reports of KPMG LLP, independent certified public accountants, appearing elsewhere and incorporated by reference herein and upon the authority of said firm as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any of the reports and other information we file at the SEC's public reference facilities located in Washington at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, in New York at 7 World Trade Center, Suite 1300, New York, New York 10048, and in Chicago at Northwest Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may call the SEC at 1-800-SEC-0330 for further information about the public reference rooms. Copies of such material can also be obtained from the Public Reference Room of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Our SEC filings are also available to the public over the Internet at the SEC's web site which is located at the following address: http://www.sec.gov.

This Prospectus is a part of a registration statement on Form S-2 (which, together with all exhibits filed along with it, will be referred to as the "Registration Statement") which we filed with the SEC to register the securities we are offering. Certain information and details which may be important to specific investment decisions may be found in other parts of the Registration Statement, including its exhibits, but are left out of this Prospectus in accordance with the rules and regulations of the SEC. To see more detail, you may wish to review the Registration Statement and its exhibits. Copies of the Registration Statement and its exhibits are on file at the offices of the SEC and may be obtained upon payment of the prescribed fee or may be examined without charge at the SEC's public reference facilities or over the Internet at the SEC's web site described above.

The SEC's rules allow us to "incorporate by reference" the information Artesian Resources files with the SEC, which means we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this Prospectus. We incorporate Artesian Resources' Annual Report on Form 10-K for the year ended December 31, 1998 as of the date it was filed with the SEC.

We will provide a copy of this filing to any person to whom a Prospectus is delivered, including any beneficial owner. You should direct your oral or written request for a copy of this filing to: Artesian Resources Corporation, 664 Churchmans Road, Newark, Delaware 19702, Attention: Joseph A. DiNunzio, Vice President and Secretary (telephone (302) 453-6900). You will not be charged for copies unless you request exhibits, for which we will charge you a minimal fee. However, you will not be charged for exhibits in any case where the exhibit you request is specifically incorporated by reference into another document which is incorporated by this Prospectus.

REPORTS TO SECURITY HOLDERS

We distribute to holders of our Class A Non-Voting Common Stock annual reports containing audited financial statements and quarterly reports for the first three quarters of each fiscal year containing unaudited interim financial information.

ARTESIAN RESOURCES CORPORATION
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Artesian Resources Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Artesian Resources Corporation and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Artesian Resources Corporation and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998 in conformity with generally accepted accounting principles.

KPMG LLP

Wilmington, Delaware
February 5, 1999

ARTESIAN RESOURCES CORPORATION

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	DECEMBER 31, 1997
<S>	<C>	<C>
ASSETS		
Utility plant, at original cost less accumulated depreciation	$109,780	$ 97,694

Current assets		
Cash and cash equivalents	114	146
Accounts receivable, net	1,968	2,131
Unbilled operating revenues	1,981	1,869
Materials and supplies -- at cost on FIFO basis	617	610
Prepaid property taxes	552	519
Prepaid expenses and other	327	388
State and federal income taxes	--	135
	5,559	5,798
Other assets		
Non-utility property (less accumulated depreciation 1998 -- $152; 1997 -- $145)	280	349
Other deferred assets	1,071	1,208
	1,351	1,557
Regulatory assets, net	2,686	2,818
	$119,376	$107,867
LIABILITIES AND STOCKHOLDERS' EQUITY		
Stockholders' equity		
Common stock	$ 1,803	$ 1,780
Additional paid-in capital	18,073	17,648
Retained earnings	7,785	6,887
Preferred stock	272	272
Total stockholders' equity	27,933	26,587
Preferred stock -- mandatorily redeemable, net of current portion	500	600
Long-term debt, net of current portion	32,053	32,103
	60,486	59,290
Current liabilities		
Notes payable	7,704	1,164
Current portion of long-term debt	43	46
Current portion of mandatorily redeemable preferred stock	100	112
Accounts payable	3,148	2,616
Overdraft payable	635	510
Deferred income taxes	190	189
Interest accrued	940	880
Customer deposits	388	370
Other	903	360
	14,051	6,247
Deferred credits and other liabilities		
Net advances for construction	18,337	17,880
Postretirement benefit obligation	1,627	1,704
Deferred investment tax credits	994	1,029
Deferred income taxes	1,471	176
Commitments and contingencies (Note 11)		
	22,429	20,789
Net contributions in aid of construction	22,410	21,541
	$119,376	$107,867

</TABLE>

The notes and schedules are an integral part of the consolidated financial statements.

ARTESIAN RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Operating revenues			
Water sales	$25,096	$22,003	$20,547
Other utility operating revenue	370	337	274
Non-utility operating revenue (Note 7)	--	--	71
	25,466	22,340	20,892
Operating expenses			
Utility operating expenses	14,012	12,487	11,855
Non-utility operating expenses (Note 7)	33	41	53
Related party expenses (Note 8)	228	247	246
Depreciation and amortization	2,183	2,441	2,193
Taxes			
State and federal income			
Currently payable	440	336	61
Deferred	1,368	942	1,035
Property and other	1,535	1,439	1,348
	19,799	17,933	16,791
Operating income	5,667	4,407	4,101
Other income (expense), net			
Allowance for funds used during construction	156	165	179
Miscellaneous	59	(7)	(85)
	215	158	94
Income before interest charges	5,882	4,565	4,195
Interest charges	3,162	2,580	2,536
Net income	2,720	1,985	1,659
Dividends on preferred stock	82	93	105
Net income applicable to common stock	$ 2,638	$ 1,892	$ 1,554
Net income per share of common stock:			
Basic	$ 1.47	$ 1.07	$ 1.03
Diluted	$ 1.45	$ 1.07	$ 1.03
Average shares of common stock outstanding:			
Basic	1,796	1,762	1,509
Diluted	1,816	1,775	1,515
Cash dividends per share of common stock	$ 0.97	$ 0.92	$ 0.90

</TABLE>

The notes and schedules are an integral part of the consolidated financial statements.

ARTESIAN RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 2,720	$ 1,985	$ 1,659
Adjustments to reconcile net cash provided by operating activities:			
Depreciation and amortization	2,029	2,287	2,031
Deferred income taxes, net	1,261	920	1,010
Allowance for funds used during construction	(156)	(165)	(178)
Changes in assets and liabilities:			
Accounts receivable, net	163	(247)	249
Unbilled operating revenues	(112)	(205)	(332)
Materials and supplies	(7)	11	(14)
Prepaid property taxes	(33)	(29)	(28)
Prepaid expenses and other	61	(68)	(83)
Other deferred assets	137	(22)	172
Regulatory assets	132	(223)	120
Accounts payable	532	(267)	148
State and federal income taxes	135	97	(373)
Interest accrued	60	250	(37)
Customer deposits and other, net	561	(166)	(2)
Postretirement benefit obligation	(77)	(56)	(14)
Net cash provided by operating activities	7,406	4,102	4,328
Cash flows used in investing activities:			
Capital expenditures (net of AFUDC)	(14,333)	(11,242)	(8,084)
Proceeds from sale of assets	15	366	2,107
Net cash used in investing activities	(14,318)	(10,876)	(5,977)
Cash flows from financing activities:			
Net (repayments) borrowings under line of credit agreements	6,540	(7,919)	(142)
Overdraft payable	125	(177)	18
Net advances and contributions in aid of construction	1,751	1,377	839
Proceeds from issuance of long-term debt	--	15,000	--
Proceeds from issuance of common stock	448	555	9,795
Dividends paid	(1,822)	(1,712)	(1,362)
Repayment of mortgage bond	--	--	(5,000)
Principal payments under capital lease obligation	(50)	(239)	(336)
Principal payments under long-term debt obligations	--	--	(2,017)
Redemption of preferred stock	(112)	(113)	(148)
Net cash provided by financing activities	6,880	6,772	1,647
Net decrease in cash and cash equivalents	(32)	(2)	(2)
Cash and cash equivalents at beginning of year	146	148	150
Cash and cash equivalents at end of year	$ 114	$ 146	$ 148
Supplemental Disclosures of Cash Flow Information:			
Interest paid	$ 3,192	$ 2,305	$ 2,547
Income taxes paid	$ 480	$ 387	$ 468
Supplemental Schedule of Non-Cash Investing and Financing Activities:			
Capital lease obligations incurred	$ --	$ 67	$ --

</TABLE>

The notes and schedules are an integral part of the consolidated financial statements.

ARTESIAN RESOURCES CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

<S>	PREFERRED SHARES OUTSTANDING 7% PRIOR PREFERRED <C>	COMMON SHARES OUTSTANDING CLASS A NON-VOTING <C>	COMMON SHARES OUTSTANDING CLASS B <C>
Balance as of January 1, 1996	10,868	538,559	498,935
Net income			
Cash dividends declared			
Common stock			
Preferred stock			
Issuance of common stock			
Bonus issuances		3,425	
Dividend reinvestment plan		8,866	4,670
Employee stock options		18,830	
Issuance of common stock (3)		675,000	
Stock issuance cost			
Balance as of December 31, 1996	10,868	1,244,680	503,605
Net income			
Cash dividends declared			
Common stock			
Preferred stock			
Issuance of common stock			
Bonus issuances		2,250	
Dividend reinvestment plan		7,832	3,757
Employee stock options		4,844	
Employee retirement plan (4)		13,303	
Balance as of December 31, 1997	10,868	1,272,909	507,362
Net income			
Cash dividends declared			
Common stock			
Preferred stock			
Issuance of common stock			
Dividend reinvestment plan		7,512	5,364
Employee stock options		1,078	
Employee retirement plan (4)		9,622	
Balance as of December 31, 1998	10,868	1,291,121	512,726

</TABLE>

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(1) At December 31, 1998, 1997 and 1996, Class A Non-Voting Common Stock had 3,500,000 shares authorized.

(2) At December 31, 1998, 1997 and 1996, Class B Common Stock had 1,040,000 shares authorized.

<TABLE>
<CAPTION>

<S>	$25 PAR VALUE PREFERRED 7% PRIOR PREFERRED <C>	$1 PAR VALUE CLASS A NON-VOTING(1) <C>	$1 PAR VALUE CLASS B(2) <C>	ADDITIONAL PAID-IN CAPITAL <C>	RETAINED EARNINGS <C>	TOTAL <C>
	$272	$ 539	$499	$ 8,041	$ 6,317	$15,668
					1,659	1,659
					(1,258)	(1,258)
					(104)	(104)
		3		43		46
		9	5	198		212
		18		242		260
		675		9,450		10,125
				(849)		(849)
	$272	$1,244	$504	$ 17,125	$ 6,614	$25,759
					1,985	1,985
					(1,619)	(1,619)
					(93)	(93)
		2		36		38
		8	3	193		204
		5		65		70
		14		229		243
	$272	$1,273	$507	$ 17,648	$ 6,887	$26,587
					2,720	2,720
					(1,740)	(1,740)
					(82)	(82)
		7	5	230		242
		1		18		19
		10		177		187
	$272	$1,291	$512	$ 18,073	$ 7,785	$27,933

</TABLE>

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(3) Artesian Resources Corporation issued 675,000 shares of Class A Non-Voting Common Stock on May 24, 1996.

(4) Artesian Resources registered 200,000 shares of Class A Non-Voting Common Stock available for purchase through the Artesian Retirement Plan and the Artesian Supplemental Retirement Plan.

The notes and schedules are an integral part of the consolidated financial statements.

ARTESIAN RESOURCES CORPORATION

SCHEDULE OF INCOME TAX EXPENSE
(IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1998	1997	1996
State income taxes			
Current	$ 23	$(23)	$ 47
Deferred -- current			
Property taxes	3	2	4
Allowance for bad debts	(2)	--	(4)
Deferred -- non-current			
Accelerated depreciation	251	235	225
Rate case expenses	(3)	27	(6)
Taxable contractor advances and contributions in aid of construction	87	62	(5)
Tax credit carryforwards	41	(31)	--
Other	(6)	21	(11)
Total state income tax expense	$ 394	$293	$250
Federal income taxes			
Current	$ 417	$359	$ 14
Deferred -- current			
Property taxes	8	10	8
Allowance for bad debts	(8)	(2)	(12)
Deferred -- non-current			
Accelerated depreciation	898	876	666
Rate case expenses	(12)	95	(22)
Taxable contractor advances and contributions in aid of construction	310	222	(17)
Federal tax credit carryforwards	(173)	(532)	--
Amortization of investment tax credits	--	8	(35)
Write-down on rental building and Artesian Laboratories	--	--	265
Amortization of regulatory asset for deferred taxes	15	15	15
Other	(41)	(66)	(36)
Total federal income tax expense	$1,414	$985	$846

ARTESIAN RESOURCES CORPORATION

RECONCILIATION OF EFFECTIVE TAX RATE
(IN THOUSANDS)

	1998		1997		1996	
	AMOUNT	%	AMOUNT	%	AMOUNT	%
Reconciliation of effective tax rate						
Income before federal and state income taxes less amortization of deferred investment tax credits	$4,533	100.0	$3,221	100.0	$2,755	100.0
Amount computed at statutory rate	$1,541	34.0	$1,095	34.0	$ 937	34.0
Reconciling items						

State income tax, net of federal tax benefit	272	6.0	193	6.0	165	6.0
Other	(5)	(.1)	(10)	(.3)	(6)	(.2)
Total income tax expense and effective rate	$1,808	39.9	$1,278	39.7	$1,096	39.8

</TABLE>

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation -- The consolidated financial statements include the accounts of Artesian Resources Corporation and its wholly-owned subsidiaries ("Artesian Resources" or the "Company"), including its principal operating company, Artesian Water Company, Inc. ("Artesian Water"). Appropriate eliminations have been made for all material intercompany transactions and account balances.

Utility Subsidiary Accounting -- The accounting records of Artesian Water are maintained in accordance with the uniform system of accounts as prescribed by the Delaware Public Service Commission ("PSC"). Artesian Water follows the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation," which provides guidance for companies in regulated industries.

Utility Plant and Capitalized Leases -- All additions to plant are recorded at cost. Cost includes direct labor, materials and indirect charges for such items as transportation, supervision, pension and other fringe benefits related to employees engaged in construction activities. When depreciable units of utility plant are retired, the cost of retired property, together with any cost associated with retirement and less any salvage value or proceeds received, is charged to accumulated depreciation. Maintenance, repairs and replacement of minor items of plant are charged to expense as incurred.

In accordance with a rate order issued by the PSC, Artesian Water accrues an Allowance for Funds Used During Construction ("AFUDC"). AFUDC, which represents the cost of funds devoted to construction projects through the date the project is placed in service, is capitalized as part of construction work in progress. The rate used for the AFUDC calculation is based on Artesian Water's weighted average cost of debt and the rate of return on equity authorized by the PSC. The rates used to capitalize AFUDC in 1998, 1997 and 1996 were 9.5%, 9.7% and 10.9%, respectively.

Utility plant comprised:

<TABLE>
<CAPTION>

<S>	ESTIMATED USEFUL LIFE IN YEARS <C>	DECEMBER 31, 1998 (IN THOUSANDS) <C>	DECEMBER 31, 1997 (IN THOUSANDS) <C>
Utility plant, at original cost			
Utility plant in service			
Intangible plant	--	$ 113	$ 118
Source of supply plant	45-85	6,489	4,327
Pumping and water treatment plant	35-62	12,588	10,257
Transmission and distribution plant			
Mains	81	70,237	64,468
Services	39	11,847	10,769
Storage tanks	76	8,906	7,495
Meters	26	6,799	6,422
Hydrants	60	3,973	3,708
General plant	5-31	9,477	8,385

Property held for future use	--	2,210	2,098
Construction work in progress	--	1,402	2,830
		134,041	120,877
Less accumulated depreciation		24,261	23,183
		$109,780	$ 97,694

</TABLE>

Depreciation and Amortization -- For financial reporting purposes, depreciation is provided using the straight-line method at rates based on estimated economic useful lives which range from five to 85 years. Composite depreciation rates for utility plant were 2.11%, 2.38% and 2.35% for the years ended

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

December 31, 1998, 1997 and 1996, respectively. In a rate order issued by the PSC, the Company was directed effective January 1, 1998 to begin using revised depreciation rates for utility plant. In rate orders issued by the PSC, Artesian Water was directed effective May 28, 1991 and August 25, 1992 to offset depreciation on utility property funded by Contributions in Aid of Construction ("CIAC") and Advances for Construction ("Advances"), respectively, against CIAC and Advances. Other deferred assets are amortized using the straight-line method over applicable lives which range from two to ten years. The expense which would result from depreciating Artesian Water's leased office building and shop complex on a straight-line basis over the lease term is not an allowable cost of service. Thus, depreciation of the leased property has been modified so that the total interest on the lease obligation and depreciation of the leased property is equal to the rental expense that is allowed for ratemaking purposes. At December 31, 1997, the fully amortized leased property was retired from General Plant and the five-year lease renewal, which commenced January 1, 1998, is being accounted for as an operating lease.

Regulatory Assets -- Certain expenses, which are recoverable through rates as permitted by the PSC, are deferred and amortized during future periods using various methods. Expenses related to rate proceedings are amortized on a straight-line basis, over a period of two to five years. The postretirement benefit obligation, which is being amortized over 20 years, is adjusted for the difference between the net periodic postretirement benefit costs and the cash payments. Deferred income taxes will be amortized over future years as the tax effects of temporary differences previously flowed through to the customers reverse.

Regulatory assets at December 31, net of amortization, comprised:

<TABLE>
<CAPTION>

<S>	1998	1997
	(IN THOUSANDS)	
Postretirement benefit obligation	$1,627	$1,704
Deferred income taxes recoverable in future rates	695	710
Expense of rate proceedings	364	404
	$2,686	$2,818

</TABLE>

Other Deferred Assets -- Certain expenses are deferred and amortized using the straight-line method over various time periods ranging from two years to 25 years. In 1992, Artesian Water entered a ten-year agreement for a water service interconnection with the Chester (Pennsylvania) Water Authority ("Chester"). The interconnection was placed in service during October 1992 at a total cost of

$1.5 million and is being amortized over a ten-year period as approved by the PSC.

Other deferred assets at December 31, net of amortization, comprised:

	1998	1997
	(IN THOUSANDS)	
Chester interconnection	$ 576	$ 730
Debt issuance expense	225	256
Other	270	222
	$1,071	$1,208

Advances for Construction -- Water mains, services and hydrants or cash advances to reimburse Artesian Water its costs to construct water mains, services and hydrants, are contributed to Artesian Water by customers, real estate developers and builders in order to extend water service to their properties. The value of these contributions is recorded as Advances. Artesian Water makes refunds on these Advances over a specific period of time based on operating revenues generated by the specific plant or as new customers are connected to the mains. After all refunds are made, any remaining balance is transferred to CIAC.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -- (CONTINUED)

Contributions in Aid of Construction -- CIAC includes the non-refundable portion of advances for construction and direct contributions of water mains, services and hydrants or cash to reimburse Artesian Water its costs to construct water mains, services and hydrants by customers, real estate developers and builders in order to extend water service to their properties.

Income Taxes -- Deferred income taxes are provided in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," on all differences between the tax basis of assets and liabilities and the amounts at which they are carried in the financial statements based on the enacted tax rates to be in effect when such temporary differences are expected to reverse.

The difference between state income tax at the statutory rate of 8.7% and the effective rate of 9.1% in 1997 and 1996 is primarily attributable to Artesian Resources filing a separate state tax return for each of its subsidiaries as required, whereby current year losses of certain subsidiaries cannot be offset against taxable income of others.

The Tax Reform Act of 1986 mandated that Advances and CIAC received subsequent to December 31, 1986 generally are taxable income to Artesian Water. For Advances, Artesian Water was directed by the PSC to pay the related taxes and collect amounts equal to the taxes paid from the developer. For CIAC, Artesian Water was directed to pay the taxes instead of the developer contributing the taxes. The 1996 Tax Act provides an exclusion from taxable income for CIAC and Advances received after June 12, 1996 by Artesian Water that are not included in rate base for rate-making purposes.

Investment tax credits were deferred through 1986 and are recognized as a reduction of deferred income tax expense over the estimated economic useful lives of the related assets.

Net Income Per Common Share -- The Company adopted Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS No. 128"), in the fourth quarter of 1997. SFAS No. 128 requires the Company to use methods for calculating earnings per share that differ from methods used in prior periods and requires the Company to restate net income per share reported in prior periods. The adoption of this statement had no effect on the results of operations, financial conditions or long-term liquidity.

Revenue Recognition and Unbilled Revenues -- Water service revenue for financial statement purposes includes amounts billed to customers on a cycle basis and unbilled amounts based upon estimated usage from the date of the last meter reading to the end of the accounting period.

Cash and Cash Equivalents -- For purposes of the Consolidated Statements of Cash Flows, Artesian Resources considers all temporary cash investments with a maturity of three months or less to be cash equivalents. Artesian Water utilizes its bank's controlled disbursement service to reduce the use of its lines of credit by funding checks as they are presented to the bank for payment rather than at issuance. If the checks currently outstanding but not yet funded exceed the cash balance on Artesian Water's books, the net liability is recorded as a current liability on the balance sheet in the Overdraft Payable account.

Use of Estimates in the Preparation of Consolidated Financial Statements -- The consolidated financial statements were prepared in conformity with generally accepted accounting principles, which require management to make estimates that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimate.

Reclassifications -- Certain previously reported amounts have been reclassified to conform with current year presentation.

NOTE 2 -- FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Current Assets and Liabilities -- For those current assets and liabilities that are considered financial instruments, the carrying amounts approximate fair value because of the short maturity of those instruments.

Long-Term Financial Liabilities -- The fair value of Artesian Resources' long-term debt and mandatorily redeemable preferred stock as of December 31, 1998 and 1997, determined by discounting their future cash flows using current market interest rates on similar instruments with comparable maturities, were approximately as follows:

<TABLE>
<CAPTION>

	1998		1997	
	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
	(IN THOUSANDS)			
<S>	<C>	<C>	<C>	<C>
Long-term debt....................................	$ 32,053	$ 35,205	$ 32,103	$ 34,200
Mandatorily redeemable preferred stock............	$ 500	$ 454	$ 600	$ 544

</TABLE>

The fair value of Advances cannot be reasonably estimated due to the inability to accurately estimate future refunds expected to be paid over the life of the contracts. Refund payments are based on the water sales to new customers in the particular development constructed. Future refunds expected to be paid would have to be estimated on a per contract basis using the past history of refund payments. The fair value of Advances would be less than the carrying amount because these financial instruments are non-interest bearing.

NOTE 3 -- INCOME TAXES

Deferred income taxes reflect temporary differences between the valuation of assets and liabilities for financial tax reporting. Deferred income taxes at December 31, 1998 and 1997 were comprised of the following:

	1998	1997
	(IN THOUSANDS)	
Deferred tax assets related to:		
Federal minimum tax credit carryforwards	$ 879	$ 560
Federal and state operating loss carryforwards	665	898
Bad debt allowance	28	18
Valuation allowance	(665)	(670)
Total deferred tax assets	907	806
Deferred tax liabilities related to:		
Property plant and equipment basis differences	(2,246)	(796)
Expenses of rate proceedings	(145)	(161)
Property taxes	(218)	(207)
Other	41	(7)
Total deferred tax liabilities	(2,568)	(1,171)
Net deferred tax liability	$(1,661)	$ (365)

NOTE 3 -- INCOME TAXES -- (CONTINUED)

Deferred taxes, which are classified into a net current and non-current balance, are presented in the balance sheet as follows:

	1998	1997
	(IN THOUSANDS)	
Current deferred income tax	$ (190)	$ (189)
Non-current deferred income tax	(1,471)	(176)
Net deferred tax liability	$(1,661)	$ (365)

At December 31, 1998, for state income tax purposes, Artesian Resources recorded a deferred tax asset of $710,000 to reflect separate company net operating loss carryforwards aggregating approximately $7,641,000. These net operating loss carryforwards will expire if unused between 1998 and 2018. Artesian Resources has recorded a valuation allowance to reflect the estimated amount of deferred tax assets that may not be realized due to the expiration of the state net operating loss carryforwards. The valuation allowance decreased from $670,000 in 1997 to $665,000 in 1998 as a result of utilization of net operating losses that were expected to expire unutilized.

At December 31, 1997, for federal income tax purposes, there was a consolidated net operating loss carryforward of approximately $575,000, which was carried back and used in its entirety in 1998. At December 31, 1998, for federal income tax purposes, there were minimum tax credit carryforwards aggregating approximately $879,000 resulting from the payment of alternative minimum tax in current and prior years. These minimum tax credit carryforwards may be carried forward indefinitely to offset future regular federal income taxes. Artesian Resources has not recorded a valuation allowance for these federal tax carryforwards, because the Company believes it is more likely than not that such benefits will be realized.

NOTE 4 -- PREFERRED STOCK

Artesian Resources has two classes of preferred stock outstanding. The 7% Prior Preferred Stock (on which dividends are cumulative) is redeemable at Artesian Resources' option at $30.00 per share plus accrued dividends. The 9.96% Series Cumulative Prior Preferred Stock has annual mandatory redemption requirements and is redeemable at Artesian Resources' option at various declining prices ranging from $25.75 through January 31, 2000, to $25.00 after February 1, 2003. Under mandatory sinking fund provisions, redemptions will aggregate $100,000 (4,000 shares) annually in 1999 through 2003. The Company also has 100,000 shares of $1.00 par value Series Preferred Stock authorized but unissued. See the Consolidated Statements of Stockholders' Equity.

The following Cumulative Prior Preferred stock was outstanding at December 31:

<TABLE>
<CAPTION>

	SHARES	PAR VALUE OF SHARES OUTSTANDING	CASH DIVIDENDS
		(IN THOUSANDS)	
<S>	<C>	<C>	<C>
Mandatorily Redeemable			
Authorized	80	--	--
Outstanding at December 31:			
8 1/2% Series			
1997	1	$ 13	$ 1
1996	1	25	2
9.96% Series			
1998	24	$ 600	$62
1997	28	700	72
1996	32	800	82

</TABLE>

NOTE 5 -- COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

The Class A Non-Voting Common Stock ("Class A Stock") of Artesian Resources trades on the Nasdaq National Market under the symbol ARTNA. The Class B Common Stock of Artesian Resources trades on the Nasdaq Bulletin Board under the symbol ARTNB.

In 1996, Artesian Resources issued 675,000 shares of Class A Stock at $15.00 per share. Net proceeds from the offering were used to reduce debt incurred to finance investment in utility plant.

Contributions to the Tax Reduction Act Employees' Stock Ownership Plan ("PAYSOP") by Artesian Resources for the purchase of its Class B Common stock on behalf of employees were limited to dividend reinvestments in 1997 and 1996. In 1997, the PAYSOP was merged into the Company's 401(k) plan. Under Artesian Resources' dividend reinvestment plan, stockholders were issued 12,876, 11,589 and 13,536 shares at fair market value for the reinvestment of $243,000, $204,000 and $212,000 of their cash dividends for the years 1998, 1997 and 1996, respectively.

NOTE 6 -- DEBT

Artesian Water has available unsecured lines of credit, with no financial covenant restrictions, totaling $35.0 million at December 31, 1998, which are renewable annually at the banks' discretion. Borrowings under the lines of credit bear interest based on the London Interbank Offering Rate ("LIBOR") plus 1.0% for 30, 60, 90 or 180 days or the banks' Federal Funds Rate plus 1.0%, at the option of Artesian Water.

At December 31, 1998, 1997 and 1996, Artesian Water had $7.7 million, $1.2 million and $9.1 million outstanding under these lines at weighted average interest rates of 6.0%, 7.6% and 7.0%, respectively. The maximum amount outstanding was $9.1 million, $13.0 million and $11.4 million in 1998, 1997 and 1996, respectively. The average amount outstanding was approximately $4.4 million, $5.1 million and $9.1 million, at weighted average annual interest rates of 6.0%, 6.5% and 6.9% in 1998, 1997 and 1996, respectively.

On June 17, 1997, Artesian Water issued a $10.0 million, 7.84%, ten year Series M First Mortgage Bond and borrowed $2.5 million against a $5.0 million, ten year Series N First Mortgage Bond to repay the outstanding balance on the lines of credit. On September 18, 1997, Artesian Water borrowed the remaining $2.5 million on the Series N First Mortgage Bond. The $5.0 million, ten year Series N First Mortgage Bond has a fixed interest rate of 7.56%. On February 1, 2003, the Series L First Mortgage Bond matures. No other repayments or sinking fund deposits on first mortgage bonds are required over the next five years. As of December 31, 1998 and 1997, substantially all of Artesian Water's utility plant was pledged as security for the First Mortgage Bonds. In addition, the trust indentures contain covenants which limit long-term debt, including the current portion thereof, to 66 2/3% of total capitalization including the current portion of the long-term debt, and which, in certain circumstances, could restrict the payment of cash dividends. As of December 31, 1998, however, no dividend restrictions were imposed under these covenants.

Long-term debt consisted of:

<TABLE>
<CAPTION>

	DECEMBER 31, 1998	DECEMBER 31, 1997
	(IN THOUSANDS)	
<S>	<C>	<C>
First mortgage bonds		
Series K, 10.17%, due March 1, 2009	$ 7,000	$ 7,000
Series L, 8.03%, due February 1, 2003	10,000	10,000
Series M, 7.84%, due December 31, 2007	10,000	10,000
Series N, 7.56%, due December 31, 2007	5,000	5,000
	32,000	32,000
Capitalized lease obligations	96	149
	32,096	32,149
Less current maturities	43	46
	$32,053	$32,103

</TABLE>

NOTE 7 -- NON-UTILITY OPERATING REVENUE AND EXPENSES

Non-utility operating revenue consisted of $71,000 in rental income received by Artesian Development Corporation in 1996. No non-utility operating revenue was received in 1998 or 1997.

On December 19, 1996, Artesian Wastewater Management, Inc. ("Artesian

Wastewater") was created as an additional non-regulated subsidiary of Artesian Resources. Artesian Wastewater plans to provide wastewater treatment services in Delaware. On March 12, 1997, Artesian Wastewater became a one-third owner in AquaStructure Delaware, L.L.C., which intends to develop and market various proposals to provide wastewater treatment services. No operations have occurred under Artesian Wastewater for 1998, 1997 and 1996.

Non-utility operating expenses were as follows:

	1998	1997	1996
	(IN THOUSANDS)		
Artesian Wastewater	$ 26	$ 19	$ --
Artesian Laboratories	--	10	--
Artesian Development	--	--	53
Artesian Resources	7	12	--
Total	$ 33	$ 41	$ 53

In October 1995, Artesian Development entered into an agreement with an unrelated third party for the sale of its rental office building and land. Artesian Development recorded an additional $53,000 in 1996 for the sale of this land and building.

NOTE 8 -- RELATED PARTY TRANSACTIONS

The office building and shop complex utilized by Artesian Water are leased at an average annual rental of $180,000 from a partnership, White Clay Realty, in which certain of Artesian Resources' officers and directors are partners. The lease expires in December 2002, with provisions for renewals for two five-year periods thereafter. Management believes that the payments made to White Clay Realty for the lease of its office building and shop complex are comparable to what Artesian Water would have to pay to unaffiliated parties for similar facilities (See Note 11).

Artesian Water leases certain parcels of land for water production wells from Glendale Enterprises Limited, a company wholly-owned by Ellis D. Taylor, a shareholder of greater than five percent of Artesian Resources, at an annual rental of $44,000. Renewal of the lease is automatic from year to year unless 60 days' written notice is given by either party before the end of the year's lease. The annual rental is adjusted each year by the consumer price index as of June 30 of the preceding year. Artesian Water has the right to terminate this lease by giving 60 days' written notice should the water supply be exhausted or other conditions beyond the control of Artesian Water materially and adversely affect its interest in the lease.

Expenses associated with related party transactions were as follows:

	1998	1997	1996
	(IN THOUSANDS)		
White Clay Realty	$184	$204	$204
Glendale Enterprises	44	43	42
Total	$228	$247	$246

NOTE 9 -- STOCK COMPENSATION PLANS

At December 31, 1998, the Company has two stock-based compensation plans, which are described below. The Company applies APB Opinion 25 and related interpretations in accounting for compensation expense under its plans. Accordingly, the compensation cost that has been charged against income for the two plans was $44,000, $48,000 and $42,000 for 1998, 1997 and 1996, respectively. Had compensation cost for the Company's two plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method recommended by Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation," the Company's net income and net income per common share would have been reduced to the pro-forma amounts indicated below:

	1998	1997	1996
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
Net income applicable to common stock			
As reported	$2,638	$1,892	$1,554
Pro-forma	$2,594	$1,850	$1,496
Basic net income per common share			
As reported	$ 1.47	$ 1.07	$ 1.03
Pro-forma	$ 1.44	$ 1.05	$ 0.99
Diluted net income per common share			
As reported	$ 1.45	$ 1.07	$ 1.03
Pro-forma	$ 1.43	$ 1.04	$ 0.99

In 1998, the Company amended the 1992 Non-Qualified Stock Option Plan (the "1992 Plan") increasing the number of shares of Class A Stock authorized for issuance from 100,000 to 250,000. Under the 1992 Plan (i) the maximum amount of shares of Class A Stock that may be granted to any individual during the term of the 1992 Plan is an amount equal to 50% of the number of shares of Class A Stock available for issuance under the 1992 Plan, (ii) the Company may require a participant to enter into a covenant not to compete and/or a confidentiality agreement as a condition of an option grant, (iii) provisions relating to grants to directors and officers of the Company were changed to add a prohibition on amending such provisions more than once in any six-month period, to extend the exercise term from one to ten years and to eliminate the possibility of administrative discretion with respect to such grants, and (iv) the provision that limited to 34 the number of plan participants eligible to receive options under the 1992 Plan within any calendar year was removed. Options to purchase shares of Class A Stock may be granted to employees at prices not less than 85% of the fair market value on the date of grant. Employees who participate and who are not executive officers or directors of the Company may receive options to purchase up to 1,000 shares. Each director or officer who participates in any year may request an option to purchase 3,000 shares of stock. The option price for directors and officers of the Company is 90% of the fair market value on the date of grant. Options granted under this plan extend for a period of one year, are exercisable after six months of service from the date of initial grant, after one year of service to the Company, and are adjusted for stock dividends and splits.

In 1996, the Company instituted the Incentive Stock Option Plan (the "ISO Plan"), under which the Company may grant options to its key employees and officers for up to 100,000 shares of Class A Stock. Options are granted at the fair market value on the date of grant. The option exercise period shall not exceed ten years from the date of grant and will be determined by the Company for each stock option granted. Options granted will vest in accordance with the terms and conditions determined by the Company and are adjusted for stock dividends and splits.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: dividend yield

ARTESIAN RESOURCES CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

NOTE 9 -- STOCK COMPENSATION PLANS -- (CONTINUED)

of 4.7%, 5.1% and 6.0%; expected volatility of .30%, .33% and .31%; risk free interest rates of 4.96%, 5.63% and 4.90% for the employee options under the 1992 Plan, 5.57%, 6.65% and 6.60% for the director and officer options under the 1992 Plan and 6.60% for the 1996 ISO Plan options; and expected lives of one year for the employee options and five years for the director and officer options under the 1992 Plan for all years, five years for 1997 and 1996 and five years for the 1996 ISO Plan options. In 1998 and 1997, no ISO Plan options were granted.

A summary of the status of the Company's outstanding stock options as of December 31, 1998, 1997 and 1996, and changes during the years ending on those dates is presented below:

	1998		1997		1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Plan options						
Outstanding at beginning of year	63,786	$14.24	43,554	$13.30	25,063	$12.44
Granted	28,498	17.15	25,887	15.50	47,340	13.24
Exercised	(1,078)	15.33	(4,844)	12.84	(18,709)	12.46
Cancelled	(7,149)	14.27	(811)	12.47	(10,140)	12.45
Outstanding at end of year	84,057	15.21	63,786	14.24	43,554	13.30
Options exercisable at year end	72,903	$15.32	48,921	$14.22	25,354	$12.67
Weighted average fair value of options granted during the year	$19.09		$17.29		$ 14.16	

The following tables summarize information about employee stock options outstanding at December 31, 1998:

Options Outstanding

RANGE OF EXERCISE PRICE	SHARES OUTSTANDING AT DECEMBER 31, 1998	WEIGHTED-AVERAGE REMAINING LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
$ 12.71-$19.13	84,057	8.1 Years	$ 15.21

Options Exercisable

RANGE OF EXERCISE PRICE	SHARES EXERCISABLE AT DECEMBER 31, 1998	WEIGHTED-AVERAGE EXERCISE PRICE
$ 12.71-$17.13	72,903	$15.32

NOTE 10 -- EMPLOYEE BENEFIT PLANS

401(k) Plan -- Artesian Resources has a defined contribution 401(k) Salary Reduction Plan (the "Plan") which covers substantially all employees. Under the terms of the Plan, Artesian Resources contributes 2% of eligible salaries and wages and matches employee contributions up to 6% of gross pay at a rate of 50%. Artesian Resources may, at its option, make additional contributions of up to 3% of eligible salaries and wages. No such additional contributions were made in 1998, 1997 and 1996. Plan expenses, which include Company contributions and administrative fees, for the years 1998, 1997 and 1996 were approximately $210,000, $255,000 and $259,000, respectively.

Postretirement Benefit Plan -- Artesian Resources has a Postretirement Benefit Plan (the "Benefit Plan") which provides medical and life insurance benefits to certain retired employees. Prior to the amendment of the Benefit Plan, as described below, substantially all employees could become eligible for these benefits if they reached retirement age while still working for Artesian Resources.

Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("SFAS 106"), requires Artesian Resources to accrue the expected cost of providing postretirement health care and life insurance benefits as employees render the services necessary to earn

NOTE 10 -- EMPLOYEE BENEFIT PLANS -- (CONTINUED)

the benefits. Artesian Resources elected to defer recognition and amortize its approximately $3.1 million transition obligation over 20 years, of which $154,000 was recognized at December 31, 1993.

In February 1994, Artesian Resources amended its Benefit Plan effective January 1, 1993 to reduce eligibility. As a result of the amendment, only current retirees and certain "grandfathered" active employees are eligible for benefits.

The amendment had the effect of reducing the unrecognized obligation by approximately $1.5 million to $1.6 million, and eligible participants by 108 to 23. The amendment also had the effect of curtailing the Benefit Plan. This curtailment resulted in a curtailment loss of approximately $1.5 million. This loss, when added to the 1993 amortization of $154,000, increased the Company's recorded liability with respect to SFAS 106 to approximately $1.6 million.

Artesian Resources recognized an offsetting regulatory asset with respect to the SFAS 106 liability. This asset is recorded based on the PSC order which permits Artesian Water to continue recovery of postretirement health care and life insurance expense on a pay-as-you-go basis for the remaining eligible employees. Artesian Water anticipates liquidating its SFAS 106 obligation and substantially recovering the expenses in rates over a period of approximately 20 years (based on the age and life expectancy of the remaining eligible participants). Further, expense recovery as a percentage of rates is expected to remain constant over the initial years, and then decline until the obligation is liquidated. Amounts charged to expense were $78,000, $70,000 and $90,000 for 1998, 1997 and 1996, respectively.

The following table sets forth the amounts recognized in Artesian Resources' Consolidated Balance Sheets for the Benefit Plan as of December 31:

<TABLE>
<CAPTION>

	1998	1997
	(IN THOUSANDS)	
<S>	<C>	<C>

Change in benefit obligation:		
Benefit obligation at beginning of year	$ 872	$ 926
Interest cost	59	69
Plan participant contributions	2	0
Actuarial gain	(17)	(53)
Benefits paid	(78)	(70)
Benefit obligation at end of year	$ 838	$ 872
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 0	$ 0
Employer contributions	76	68
Plan participant contributions	2	2
Benefits paid	(78)	(70)
Fair value of plan assets at end of year	$ 0	$ 0
Accrued expense:		
Funded status	$ (838)	$ (872)
Unrecognized net gain	(917)	(967)
Unrecognized transition obligation	128	136
Accrued postretirement benefit cost	$(1,627)	$(1,704)

</TABLE>

NOTE 10 -- EMPLOYEE BENEFIT PLANS -- (CONTINUED)

For measurement purposes, an 8.5% annual rate of increase in per capita cost of covered health care benefits was assumed for 1998; the rate was assumed to decrease gradually to 5% through the year 2006 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amount of the obligation and periodic cost reported. An increase in the assumed health care cost trend rates by 1% in each year would increase the accumulated postretirement benefit obligation as of December 31, 1998 by $60,000 and the interest cost component of net periodic postretirement benefit cost for the year then ended by $5,000.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 6.75% and 7.0% for the years ended December 31, 1998 and 1997, respectively.

Supplemental Pension Plan -- Effective October 1, 1994, Artesian Water established a Supplemental Pension Plan (the "Supplemental Plan") to provide additional retirement benefits to full-time employees hired prior to April 26, 1994. The purpose of the Supplemental Plan is to help employees save for future retiree medical costs, which will be paid by employees. The Supplemental Plan accomplishes this objective by providing additional cash resources to employees upon a termination of employment or retirement, to meet the cost of future medical expenses. Artesian Water has established a contribution based upon each employee's years of service ranging from 2% to 6% of eligible salaries and wages. Artesian Water also provides additional benefits to individuals who were over age 50 as of January 1, 1994. These individuals are referred to as the "Transition Group." Effective November 1, 1994, individuals eligible for the Transition Group had the opportunity to defer compensation to the Supplemental Plan, and to receive a transition matching contribution for five years. Each one dollar of eligible salaries and wages deferred by the Transition Group is matched with three, four or five dollars by Artesian Water based on the employee's years of service subject to certain limitations under the federal tax rules. Plan expenses, which include Company contributions and administrative fees, for the years 1998, 1997 and 1996 were approximately $239,000, $228,000 and $220,000, respectively.

NOTE 11 -- COMMITMENTS

In 1972, the Company entered into a 25-year lease for an office building and shop complex at an aggregate annual rental of $204,000 from a partnership, White Clay Realty (See Note 8). This lease was accounted for as a capital lease; accordingly, the present value of the total rental payments for the leased property at the inception of the lease ($1.9 million) was recorded in General Plant and in Capitalized Lease Obligations. At December 31, 1997, the fully amortized leased property was retired from General Plant. On January 1, 1998, the Company renewed its lease for an average annual rental of $180,000, for five years, which is being accounted for as an operating lease. Artesian Water may terminate the lease at any time by purchasing the leased facilities for (i) an amount equal to the sum of any mortgage on such facilities and any accrued rental to date or (ii) its fair market value, whichever is higher.

In 1995, Artesian Water entered into four five-year leases for computer equipment and in 1997 Artesian Water entered a ten-year lease for a land easement which have been recorded as capital leases. Also in 1997, Artesian Water entered a 33-year operating lease for a parcel of land with improvements located in South Bethany, a municipality in Sussex County, Delaware.

During 1996, Artesian Water entered into a ten-year lease commitment for office space. Rent expense for the office space for 1998, 1997 and 1996 was $64,000, $62,000 and $48,000, respectively.

NOTE 11 -- COMMITMENTS -- (CONTINUED)

Future minimum annual rental payments under operating lease obligations as of December 31, 1998, are as follows:

<TABLE>
<CAPTION>

<S>	(IN THOUSANDS) <C>
1999	$ 248
2000	247
2001	246
2002	246
2003	72
Thereafter	192
	$1,251

</TABLE>

Artesian Water has two water service interconnection agreements with two neighboring utilities which require minimum annual purchases. Rates charged under all agreements are subject to change. Effective August 1, 1997, Artesian Water renegotiated the contract with Chester Water Authority to, among other things, reduce the minimum purchase requirements from 1,459 million gallons to 1,095 million gallons annually and to extend the contract through the year 2021. The minimum annual purchase commitments for all interconnection agreements for 1999 through 2003 and the aggregate total for the years 2004 through 2021, at current rates, are as follows:

<TABLE>
<CAPTION>

<S>	(IN THOUSANDS) <C>
1999	$ 2,429
2000	2,429
2001	2,429
2002	2,157
2003	2,157
2004 through 2021	38,829

	$ 50,430

</TABLE>

Expenses for purchased water were $2,616,000, $2,703,000 and $2,663,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

Budgeted mandatory utility plant expenditures, due to planned governmental highway projects which require the relocation of Artesian Water's water service mains, expected to be incurred in 1999 through 2003 are as follows:

<TABLE>
<CAPTION>

<S>	(IN THOUSANDS) <C>
1999	$ 1,200
2000	1,323
2001	550
2002	200
2003	400
	$ 3,673

</TABLE>

The exact timing and extent of these relocation projects is controlled primarily by the Delaware Department of Transportation.

NOTE 12 -- GEOGRAPHIC CONCENTRATION OF CUSTOMERS

Artesian Water provides water utility service to customers within its established service territory in portions of Delaware, pursuant to rates filed with and approved by the PSC. As of December 31, 1998, Artesian Water was serving 60,688 customers.

NOTE 13 -- NET INCOME PER COMMON SHARE AND EQUITY PER COMMON SHARE

In December 1997, the Company adopted SFAS No. 128, "Earnings per Share," which prescribes two methods for calculating net income per common share: the "Basic" and "Diluted" methods. These calculations differ from those used in prior periods and as a result all prior period earnings per share data were restated in 1997 to reflect the adoption of SFAS No. 128. Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding and potentially dilutive effect of employee stock options. The adoption of this statement had no effect on the results of operations, financial condition or long-term liquidity of the Company. The following table summarizes the shares used in computing basic and diluted net income per share:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Average common shares outstanding during the period for Basic computation	1,796	1,762	1,509
Dilutive effect of employee stock options	20	13	6
Average common shares outstanding during the period for Diluted computation	1,816	1,775	1,515

</TABLE>

Equity per common share was $15.34, $14.78 and $14.58 at December 31, 1998, 1997 and 1996, respectively. These amounts were computed by dividing stockholders' equity excluding preferred stock by the number of shares of common stock outstanding at the end of each year.

NOTE 14 -- YEAR 2000 COMPLIANCE

Management has completed an assessment of all of Artesian Resources' information and non-information technology systems and implemented a company-wide program which continues to test and correct all critical systems to ensure Year 2000 compliance. The Company has dedicated the financial, technical and management resources required to achieve expected Year 2000 compliance. The Company has identified the critical systems for operations and expects to be compliant by June 30, 1999. Additionally, in 1998, the Company adopted management practices which require that any new systems or system upgrades be Year 2000 compliant prior to their purchase and implementation.

In 1998, the Company undertook a comprehensive program to assess providers of critical services for the purpose of identifying and minimizing exposure to Year 2000 risks that are not under the Company's direct control. The Company is currently developing contingency plans which are expected to be in place by June 30, 1999. Contingency plans include, but are not limited to, the installation of back-up generators in case of power loss, increasing inventory levels in late 1999 for crucial materials and supplies, including gasoline, diesel fuel and water treatment chemicals; and identifying alternate providers in case the primary providers cannot meet delivery requirements.

The Company is implementing its Year 2000 compliance program in the normal course of business and does not anticipate a material impact on the Company's business, results of operations, liquidity or capital resources. As a result of the Company's overall corporate automation plan

NOTE 14 -- YEAR 2000 COMPLIANCE -- (CONTINUED)

developed in 1994, the Company has capitalized $395,000 during the year ended December 31, 1998 on new computer software and hardware, some of which replaced software and hardware which was not Year 2000 compliant. The Company does not anticipate any significant capital expenditures for computer software and hardware in 1999 for the purpose of achieving Year 2000 compliance.

NOTE 15 -- IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The Company adopted this statement effective January 1, 1998, and has no components of comprehensive income to report.

In June 1997, FASB issued Statement of Financial Accounting Standards No. 131, "Disclosures About Segments of an Enterprise and Related Information," which established standards for reporting information about operating segments in interim financial reports issued to shareholders. It also established standards for related disclosure about products and services, geographic areas and major customers. The Company adopted this statement effective January 1, 1998.

In February 1998, FASB issued Statement of Financial Accounting Standards No. 132, "Employers' Disclosure about Pension and Other Postretirement Benefits," which revised employers' disclosures about pensions and other postretirement benefit plans, and did not change the measurement or recognition of those plans. The Company adopted this statement effective December 31, 1998.

In June 1998, FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," which established accounting and reporting standards for derivative instruments and hedging activities. The Company plans to adopt this statement effective January 1, 2000. The adoption of this statement will not have a material impact on the Company's financial condition or results of operations.

In March 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This statement is effective for financial statements for fiscal years beginning after December 15, 1998. Earlier application is encouraged in fiscal years for which annual financial statements have not been issued. The Company implemented this statement in the first quarter of 1998 and it did not have a material impact on the Company's financial condition or results of operations.

WE HAVE NOT AUTHORIZED ANY DEALER, SALESPERSON OR OTHER PERSON TO GIVE ANY INFORMATION OR REPRESENT ANYTHING NOT CONTAINED IN THIS PROSPECTUS. YOU MUST NOT RELY ON ANY UNAUTHORIZED INFORMATION. IF ANYONE PROVIDES YOU WITH DIFFERENT OR INCONSISTENT INFORMATION, YOU SHOULD NOT RELY ON IT. THIS PROSPECTUS DOES NOT OFFER TO SELL ANY SHARES IN ANY JURISDICTION WHERE IT IS UNLAWFUL. THE INFORMATION IN THIS PROSPECTUS IS CURRENT AS OF THE DATE SHOWN ON THE COVER PAGE.

[LOGO]

400,000 SHARES

CLASS A NON-VOTING COMMON STOCK

PROSPECTUS

JANNEY MONTGOMERY SCOTT INC.

, 1999

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following is a statement of the estimated expenses, other than underwriting discounts and commissions, to be borne by Artesian Resources Corporation ("Artesian Resources" or the "Registrant") in connection with the issuance and distribution of the shares of Class A Non-Voting Common Stock being registered:

<TABLE>

<S>	<C>
Registration fee	$ 3,664
NASD filing fee	1,742
Representative's non-accountable expense allowance	50,000
Transfer agent, registrar and custodian fees	2,500
Printing and engraving	50,000
Legal fees	100,000
Blue Sky fees and expenses	5,000
Nasdaq National Market listing fee	9,200
Accounting fees	25,000
Miscellaneous	2,894
Total	$ 250,000

</TABLE>

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

A. Section 145 of the Delaware General Corporation Law ("Section 145") permits indemnification of directors, officers, employees, agents and controlled persons of a corporation under certain conditions and subject to certain limitations. Section 145 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or another enterprise if serving at the request of the corporation. Depending on the character of the proceeding, a corporation may indemnify against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the person indemnified acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. In the case of an action by or in the right of the corporation, no indemnification may be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the court of chancery or the court in which such action or suit was brought shall determine that despite the adjudication of liability such person is fairly and reasonably entitled to indemnity for such expenses which the court shall deem proper. Section 145 further provides that to the extent a present or former director or officer of a corporation has been successful in the defense of any action, suit or proceeding referred to above or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually or reasonably incurred by such person in connection therewith.

B. As permitted by the Delaware General Corporation Law, we have included a provision in our Restated Certificate of Incorporation, as amended (Exhibit 3.1 hereto), that, subject to certain limitations, eliminates the ability of Artesian Resources and our stockholders to recover monetary damages from a director of Artesian Resources for breach of fiduciary duty as a director. Article VIII of Artesian Resources' By-Laws (Exhibit 3.2 hereto) provides for indemnification of Artesian Resources' directors and officers to the fullest extent authorized by the Delaware General Corporation Law.

C. Reference is made to Section 8 of the Underwriting Agreement (Exhibit 1 hereto) which provides for indemnification among Artesian Resources and the Underwriters.

D. As authorized by Section 145 of the Delaware General Corporation Law and Article VIII of Artesian Resources' By-Laws, we maintain, on behalf of our directors and officers, insurance protection against certain liabilities arising out of the discharge of their duties, as well as insurance covering Artesian Resources for indemnification payments made to our directors and officers for certain liabilities. The premiums for such insurance are paid by Artesian Resources.

ITEM 16. EXHIBITS.

The following is a list of exhibits filed as part of this Registration Statement. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference.

<TABLE>
<CAPTION>

EXHIBIT NO.	EXHIBIT
<S>	<C>
1*	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation, as amended May 17, 1994 and as amended May 26, 1995. (1)(2)
3.2	By-laws. (3)
4.1	Specimen copy of stock certificate for shares of Class A Non-Voting Common Stock of the Registrant. (4)
4.2	Thirteenth and Fourteenth Supplemental Indentures, dated as of June 17, 1997, between Artesian Water Company, Inc., subsidiary of the Registrant ("Artesian Water"), and Wilmington Trust Company. (5)
4.3	Twelfth Supplemental Indenture, dated as of December 5, 1995, between Artesian Water and Wilmington Trust Company. (6)
4.4	Eleventh Supplemental Indenture, dated as of February 16, 1993, between Artesian Water and Principal Mutual Life Insurance Company. (7)
4.5	Tenth Supplemental Indenture, dated as of April 1, 1989, between Artesian Water and Wilmington Trust Company. (8)
4.6	Other Supplemental Indentures with amounts authorized of less than ten percent of the total assets of the Registrant and its subsidiaries on a consolidated basis will be furnished upon request.
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23.2*	Consent of Morgan, Lewis & Bockius LLP (included in its opinion filed as Exhibit 5 hereto).
24.1**	Power of Attorney (included on signature page to this Registration Statement).
27**	Financial Data Schedule.

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+ Compensation plans and arrangements for executives and others.
* Filed herewith.

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ITEM 17. UNDERTAKINGS.

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

(b) The undersigned Registrant hereby undertakes that:

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

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to

the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-2 and has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Newark, Delaware, on March 26, 1999.

ARTESIAN RESOURCES CORPORATION

By: /s/ DIAN C. TAYLOR

Dian C. Taylor
Chief Executive Officer and
President

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to the Registration Statement has been signed below by the following persons and by David B. Spacht as attorney-in-fact for the specific persons in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

NAME	CAPACITY	DATE
<S>	<C>	<C>
/s/ DIAN C. TAYLOR -------------------------------- Dian C. Taylor	Chair of the Board, Chief Executive Officer and President	March 26, 1999
/s/ DAVID B. SPACHT -------------------------------- David B. Spacht	Vice President, Chief Financial Officer and Treasurer (principal financial officer and principal accounting officer)	March 26, 1999
* -------------------------------- Kenneth R. Biederman	Director	March 26, 1999
* -------------------------------- John R. Eisenbrey, Jr.	Director	March 26, 1999
* -------------------------------- William H. Taylor, II	Director	March 26, 1999
* -------------------------------- William C. Wyer	Director	March 26, 1999
*By: /s/ DAVID B. SPACHT -------------------------------- David B. Spacht Attorney-in-fact		

</TABLE>

EXHIBIT INDEX

EXHIBIT SEQUENTIAL NUMBER	DESCRIPTION	SEQUENTIAL PAGE NUMBER
1*	Form of Underwriting Agreement.	
3.1	Restated Certificate of Incorporation, as amended May 17, 1994 and as amended May 26, 1995. (1)(2)	
3.2	By-laws. (3)	
4.1	Specimen copy of stock certificate for shares of Class A Non-Voting Common Stock of the Registrant. (4)	
4.2	Thirteenth and Fourteenth Supplemental Indentures, dated as of June 17, 1997, between Artesian Water Company, Inc., subsidiary of the Registrant ("Artesian Water"), and Wilmington Trust Company. (5)	
4.3	Twelfth Supplemental Indenture, dated as of December 5, 1995, between Artesian Water and Wilmington Trust Company. (6)	
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400,000 SHARES

ARTESIAN RESOURCES CORPORATION

CLASS A NON-VOTING COMMON STOCK

UNDERWRITING AGREEMENT

Philadelphia, Pennsylvania
April __, 1999

JANNEY MONTGOMERY SCOTT INC.
Representative of the Several
Underwriters Named in Schedule I Hereto
1801 Market Street
Philadelphia, PA 19103

Ladies and Gentlemen:

Artesian Resources Corporation, a Delaware corporation ("Artesian Resources"), proposes to sell to Janney Montgomery Scott Inc. (the "Representative") and the several other underwriters named in Schedule I hereto (together with the Representative, the "Underwriters") 400,000 shares of Artesian Resources' Class A Non-Voting Common Stock, par value $1 per share ("Class A Non-Voting Common Stock"). The Class A Non-Voting Common Stock to be sold to the Underwriters by Artesian Resources are referred to herein as the "Firm Shares." The respective amounts of the Firm Shares to be purchased by the several Underwriters are set forth opposite their names in Schedule I hereto. The Firm Shares shall be offered to the public at a public offering price of $ per Firm Share (the "Offering Price").

In order to cover over-allotments in the sale of the Firm Shares, the Underwriters may purchase for the Underwriters' own accounts up to 60,000 additional shares of Class A NonVoting Common Stock from Artesian Resources. Such 60,000 additional shares of Class A NonVoting Common Stock are referred to herein as the "Optional Shares." If any Optional Shares are purchased, the Optional Shares shall be purchased for offering to the public at the Offering

Price and in accordance with the terms and conditions set forth herein. The Firm Shares and the Optional Shares are referred to collectively herein as the "Shares."

1. Representations and Warranties of Artesian Resources. Artesian Resources represents and warrants to, and agrees with, the several Underwriters that:

(a) Artesian Resources has prepared, in conformity with the requirements of the Securities Act of 1933, as amended (the "Act"), and the rules and regulations (the "Regulations") of the Securities and Exchange Commission (the "SEC") under the Act in effect at all applicable times, and has filed with the SEC a registration statement on Form S-2 (File No. 333-72159) and one or more amendments thereto for the purpose of registering the Shares under the Act. Copies of such registration statement and any amendments thereto, and all forms of the related prospectus contained therein, have been delivered to the Representative. Any preliminary prospectus included in such registration statement or filed with the SEC pursuant to Rule 424(a) of the Regulations is hereinafter called a "Preliminary Prospectus." The various parts of such registration statement, including all exhibits thereto and the information contained in the form of final prospectus filed with the SEC pursuant to Rule 424(b) of the Regulations in accordance with Section 5(a) of this Agreement and deemed by virtue of Rule 424 of the Regulations to be part of the registration statement at the time it was declared effective, each as amended at the time the registration statement became effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A of the Regulations, are hereinafter collectively called the "Registration Statement." The final prospectus in the form included in the Registration Statement or first filed with the SEC pursuant to Rule 424(b) of the Regulations and any amendments or supplements thereto, including the information (if any) deemed to be part of that prospectus at the time of effectiveness pursuant to Rule 430A of the Regulations, is hereinafter called the "Prospectus." All references to the Registration Statement, the Preliminary Prospectus and the Prospectus include all documents incorporated therein by reference. If Artesian Resources has filed an abbreviated registration statement to register additional Class A Non-Voting Common Stock pursuant to Rule 462(b) under the Act (the "Rule 462 Registration Statement"), then any reference herein to the term "Registration Statement" shall be deemed to include such Rule 462 Registration Statement.

(b) The Registration Statement has become effective under the Act, and the SEC has not issued any stop order suspending the effectiveness of the Registration Statement or preventing or suspending the use of the Preliminary Prospectus, nor has the SEC instituted or threatened to institute proceedings with respect to such an order. No stop order suspending the sale of the Shares in any jurisdiction designated by the Representative as provided for in Section

5(f) hereof has been issued, and no proceedings for that purpose have been instituted or threatened. Artesian Resources has complied in all material respects with all requests of the SEC, or requests of which Artesian Resources has been advised of any state or foreign securities commission in a state or foreign jurisdiction designated by the Representative as provided for in Section 5(f) hereof, for additional information to be included in the Registration Statement, any Preliminary Prospectus or the Prospectus. Each Preliminary Prospectus conformed to all the requirements of the Act and the Regulations as of its date in all material respects and did not as of its date contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, except the foregoing shall not apply to statements in or omissions from any Preliminary Prospectus in reliance upon and in conformity with information supplied to Artesian Resources in writing by or on behalf of any Underwriter through the Representative expressly for use therein. The Registration Statement, on the date on which it was declared effective by the SEC (the "Effective Date") and when any post-effective amendment thereof shall become effective, and the Prospectus, at the time it is filed with the SEC including, if applicable, pursuant to Rule 424(b), and on the Closing Date (as defined in Section 3 hereof) and any Option Closing Date (as defined in Section 4(b) hereof), conformed and will conform in all material respects to all the requirements of the Act and the Regulations, and did not and will not, on any of such dates, include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading, except that this representation and warranty does not apply to statements in or omissions from the Registration Statement or the Prospectus made in reliance upon and in conformity with information furnished to Artesian Resources in writing by or on behalf of any Underwriter through the Representative expressly for use therein.

(c) The documents incorporated by reference into the Prospectus pursuant to Item 12 of Form S-2 under the Act, at the time they were filed with the SEC, complied in all material respects with the requirements of the Securities Exchange Act of 1934, as amended ("Exchange Act") and the Exchange Act Rules and Regulations and did not contain any untrue statement of material fact or omit to state a material fact required to be stated therein, or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) Artesian Resources is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with all necessary power and authority, corporate and otherwise, and all required licenses, permits, certifications, registrations, approvals, consents and franchises to own or lease and operate its properties and to conduct its current business as described in the Prospectus, and to execute, deliver and perform this Agreement.

Artesian Wastewater Management, Inc., a Delaware corporation ("Artesian Wastewater"), is a wholly owned subsidiary of Artesian Resources. Artesian Development Corporation, a Delaware corporation ("Artesian Development") is also a wholly owned subsidiary of Artesian Resources. Each of Artesian Wastewater and Artesian Development are corporations duly organized, validly existing and in good standing under the laws of the State of Delaware, with all necessary power and authority, corporate and otherwise, and all required licenses, permits, certifications, registrations, approvals, consents and franchises to own or lease and operate their properties and to conduct their current business. Artesian Water Company, Inc. ("Artesian Water") is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, with all necessary corporate power and authority, and all required licenses, permits, certifications, registrations, approvals, consents and franchises to own or lease and operate its properties and to conduct its business as described in the Prospectus. Artesian Resources, Artesian Water, Artesian Wastewater and Artesian Development are duly qualified to do business as foreign corporations, and are in good standing, in all jurisdictions in which such qualification is required, except where the failure to so qualify would not have a material adverse effect on the general affairs, properties, condition (financial or otherwise), results of operations, stockholders' equity, business or prospects (collectively, the "Business Conditions") of Artesian Resources, Artesian Water, Artesian Wastewater and Artesian Development taken as a whole. All references herein to Artesian Water shall collectively refer to Artesian Water, Artesian Wastewater and Artesian Development, unless otherwise noted and references to materiality as applicable to Artesian Water shall mean material to the Business Conditions, operations or assets, as the case may be, of Artesian Water, Artesian Wastewater and Artesian Development taken as a whole.

(e) All of the outstanding shares of capital stock of Artesian Water have been duly authorized and validly issued, are fully paid and non-assessable and are owned by Artesian Resources free and clear of all liens, encumbrances and security interests; and no options, warrants or other rights to purchase, agreements or other obligations to issue, or other rights to convert any obligations into, shares of capital stock or ownership interests in Artesian Water or securities convertible into or exchangeable for capital stock of, or other ownership interests in, Artesian Water are outstanding except as disclosed in the Prospectus. Neither Artesian Resources nor Artesian Water owns any stock or other interest whatsoever, whether equity or debt, in any corporation, partnership or other entity other than Artesian Resources' ownership of Artesian Water, Artesian Wastewater and Artesian Development, except that

Artesian Water (alone and not together with Artesian Wastewater or Artesian Development) also has a non-regulated subsidiary, Southwood Corporation, and Artesian Wastewater is a member of the limited liability company, AquaStructure Delaware, L.L.C.

(f) This Agreement has been duly authorized, executed and delivered by Artesian Resources and constitutes its legal, valid and binding obligation, enforceable against Artesian Resources in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and subject to applicability of general principles of equity and except, as to this Agreement, as rights to indemnity and contribution may be limited by federal and state securities laws or principles of public policy.

(g) The execution, delivery and performance of this Agreement and the transactions contemplated herein, do not and will not, with or without the giving of notice or the lapse of time, or both, (i) conflict with any term or provision of Artesian Resources' or Artesian Water's Certificate of Incorporation or Bylaws; (ii) result in a breach of, constitute a default under, result in the termination or modification of, result in the creation or imposition of any lien, security interest, charge or encumbrance upon any of the properties of Artesian Resources or Artesian Water or require any payment by Artesian Resources or Artesian Water or impose any liability on Artesian Resources or Artesian Water pursuant to, any contract, indenture, mortgage, deed of trust, commitment or other agreement or instrument to which Artesian Resources or Artesian Water is a party or by which any of their properties are bound or affected other than this Agreement; (iii) assuming compliance with Blue Sky laws and the rules of the National Association of Securities Dealers, Inc. (the "NASD") applicable to the offer and sale of the Shares, violate any law, rule, regulation, judgment, order or decree of any government or governmental agency, instrumentality or court, domestic or foreign, having jurisdiction over Artesian Resources or Artesian Water or any of their respective properties or businesses; or (iv) result in a breach, termination or lapse of Artesian Resources' or Artesian Water's corporate power and authority to own or lease and operate their respective properties and conduct their respective businesses.

(h) At the date or dates indicated in the Prospectus, Artesian Resources had the duly authorized and outstanding capitalization set forth in the Prospectus under the caption "Capitalization" and will have, as of the issuance of the Firm Shares on the Closing Date, the as adjusted capitalization set forth therein as of the date indicated in the Prospectus. On the Effective Date, the Closing Date and any Option Closing Date, there will be no options or warrants or other outstanding rights to purchase, agreements or obligations to issue or agreements or other rights to convert or exchange any obligation or security into, capital stock of Artesian Resources or securities convertible into or exchangeable for capital stock of Artesian Resources,

except as described in the Prospectus or the grant of options after the date of the Prospectus under option plans of the Company. The information in the

Prospectus insofar as it relates to all outstanding options and other rights to acquire securities of Artesian Resources as of the Effective Date and immediately prior to the Closing Date and any Option Closing Date is true and correct in all material respects.

(i) The currently outstanding shares of Artesian Resources' capital stock have been duly authorized and are validly issued, fully paid and non-assessable, and none of such outstanding shares of Artesian Resources' capital stock has been issued in violation of any preemptive rights of any security holder of Artesian Resources. The holders of the outstanding shares of Artesian Resources' capital stock are not subject to personal liability solely by reason of being such holders. All previous offers and sales of the outstanding shares of Artesian Resources' capital stock, whether described in the Registration Statement or otherwise, were made in conformity with applicable federal, state and foreign securities laws. The authorized capital stock of Artesian Resources, including, without limitation, the outstanding Class A Non-Voting Common Stock, the Shares being issued, and the outstanding options to purchase shares of Common Stock conform in all material respects with the descriptions thereof in the Prospectus, and such descriptions conform in all material respects with the instruments defining the same.

(j) When the Shares have been duly delivered against payment therefor as contemplated by this Agreement, the Shares will be validly issued, fully paid and non-assessable, and the holders thereof will not be subject to personal liability solely by reason of being such holders. The certificates representing the Shares are in proper legal form under, and conform in all respects to the requirements of, the Delaware General Corporation law, as amended (the "DGCL"). Neither the filing of the Registration Statement nor the offering or sale of Shares as contemplated by this Agreement gives any security holder of Artesian Resources any rights for or relating to the registration of any Class A Non-Voting Common Stock or any other capital stock of Artesian Resources or any rights to convert or have redeemed or otherwise receive anything of value with respect to any other security of Artesian Resources.

(k) No consent, approval, authorization, order, registration, license or permit of, or filing or registration with, any court, government, governmental agency, instrumentality or other regulatory body or official is required for the valid and legal execution, delivery and performance by Artesian Resources of this Agreement and the consummation of the transactions contemplated hereby or described in the Prospectus, except such as may be required for the registration of the Shares under the Act, the Exchange Act, and for compliance with the applicable state securities or Blue Sky laws or the Bylaws, rules and other pronouncements of the NASD.

(l) The Class A Non-Voting Common Stock (including the Shares) is registered pursuant to Section 12(g) of the Exchange Act. The issued and outstanding shares of Class A Non-Voting Common Stock are included for quotation on the Nasdaq National Market. Neither Artesian Resources nor, to Artesian Resources' knowledge, any other person has taken any action designed to cause, or likely to result in, the termination of the registration of the Class A Non-Voting Common Stock under the Exchange Act. Artesian Resources has not received any notification that the SEC or the NASD is contemplating terminating such registration or inclusion.

(m) The statements in the Registration Statement and Prospectus, insofar as they are descriptions of or references to contracts, agreements or other documents, are accurate in all material respects and present or summarize fairly, in all material respects, the information required to be disclosed under the Act or the Regulations, and there are no contracts, agreements or other documents, instruments or transactions of any character required to be described or referred to in the Registration Statement or Prospectus or to be filed as exhibits to the Registration Statement that have not been so described, referred to or filed, as required.

(n) Each contract or other instrument (however characterized or described) to which Artesian Resources or Artesian Water is a party or by which any of their respective properties or businesses is bound or affected and which is material to the conduct of Artesian Resources', or Artesian Water's, business has been duly and validly executed by Artesian Resources or Artesian Water, as applicable, and, to the knowledge of Artesian Resources, by the other parties thereto. Each such contract or other instrument is in full force and effect and is enforceable in all material respects against the parties thereto in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally and subject to applicability of general principles of equity, and neither Artesian Resources nor Artesian Water is, and to the knowledge of Artesian Resources, no other party is, in default thereunder, and no event has occurred that, with the lapse of time or the giving of notice, or both, would constitute a default under any such contract or other instrument. All necessary consents under such contracts or other instruments to the disclosure in the Prospectus with respect thereto have been obtained.

(o) The consolidated financial statements of Artesian Resources (including the notes thereto) filed as part of any Preliminary Prospectus, the Prospectus and the Registration Statement present fairly, in all material respects, the financial position of Artesian Resources as of the respective dates thereof, and the results of operations and cash flows of Artesian Resources for the periods indicated therein, all in conformity with generally accepted accounting principles. The supporting notes included in the Registration Statement fairly state in all material respects the information required to be stated therein in relation to the financial statements taken as a whole. The financial information included in the Prospectus under the captions "Prospectus Summary - Summary Consolidated Financial Information," and "Selected Consolidated Financial Information" presents fairly the information shown therein and has been compiled on a basis consistent with that of the audited financial statements included in the Registration Statement. The unaudited pro forma adjustments to financial information included in the Registration Statement have been properly applied to the historical amounts in the compilation of that information to reflect the sale by Artesian Resources of 400,000 shares of Common Stock offered thereby at an assumed offering or actual price set forth in the Preliminary Prospectus or the Prospectus, as the case may be, and the application of the estimated net proceeds therefrom.

(p) Since the respective dates as of which information is given in the Registration Statement and the Prospectus, except as otherwise stated therein, there has not been (i) any material adverse change (including, whether or not insured against, any material loss or damage to any material assets), or development involving a prospective material adverse change, in the Business Conditions of Artesian Resources; (ii) any material adverse change, loss, reduction, termination or non-renewal of any material contract to which Artesian Resources or Artesian Water is a party; (iii) any transaction entered into by Artesian Resources or Artesian Water not in the ordinary course of its business that is material to Artesian Resources; (iv) any dividend or distribution of any kind declared, paid or made by Artesian Resources on its capital stock, except for and to the extent described in the Prospectus; (v) any liabilities or obligations, direct or indirect, incurred by Artesian Resources or Artesian Water that are material to Artesian Resources or Artesian Water; (vi) any change in the capitalization of Artesian Resources or Artesian Water; or (vii) any change in the indebtedness of Artesian Resources or Artesian Water that is material to Artesian Resources or Artesian Water. Neither Artesian Resources or Artesian Water has any contingent liabilities or obligations that are material and that are not expressly disclosed in the Prospectus.

(q) Artesian Resources has not distributed, and will not distribute, any offering material in connection with the offering and sale of the Shares other than the Registration Statement, a Preliminary Prospectus, the Prospectus and other material, if any, permitted by the Act and the Regulations. Neither Artesian Resources nor any of its officers, directors or affiliates has taken, nor shall Artesian Resources or such persons take, any action designed to, or that might be reasonably expected to, cause or result in stabilization or manipulation of the price of the Class A Non-Voting Common Stock.

(r) Artesian Resources and Artesian Water have filed with the appropriate federal, state and local governmental agencies, and all foreign countries and political subdivisions thereof, all tax returns that are required to be filed or have duly obtained extensions of time for the filing thereof and have paid all taxes shown on such returns or otherwise due and all material assessments received by them to the extent that the same have become due. Neither Artesian Resources nor Artesian Water has executed or filed with any taxing authority, foreign or domestic, any agreement extending the period for assessment or collection of any income or other tax and neither of them is a party to any pending action or proceeding by any foreign or domestic governmental agency for the assessment or collection of taxes, and no claims for assessment or collection of taxes have been asserted against Artesian Resources or Artesian Water that might materially adversely affect the Business Conditions of Artesian Resources or Artesian Water.

(s) KPMG LLP, which has given its report on certain financial statements included as part of the Registration Statement, is a firm of independent certified public accountants as required by the Act and the Regulations with respect to Artesian Resources.

(t) Neither Artesian Resources nor Artesian Water is in violation of, or in default under, any of the terms or provisions of (i) its Certificate of Incorporation or Bylaws or similar governing instruments, (ii) any indenture, mortgage, deed of trust, contract, commitment or other agreement or instrument to which it is a party or by which it or any of its assets or properties is bound or affected, (iii) any law, rule, regulation, judgment, order or decree of any government or governmental agency, instrumentality or court, domestic or foreign, having jurisdiction over it or any of its properties or business, or (iv) any license, permit, certification, registration, approval, consent or franchise, except with respect to clause (ii), (iii) or (iv) above, where any such default would be reasonably expected to have a material adverse effect on the Business Conditions of Artesian Resources, or Artesian Water.

(u) Except as expressly disclosed in the Prospectus, there are no claims, actions, suits, protests, proceedings, arbitrations, investigations or inquiries pending before, or, to Artesian Resources' knowledge, threatened or contemplated by, any governmental agency, instrumentality, court or tribunal, domestic or foreign, or before any private arbitration tribunal to which Artesian Resources, or Artesian Water is or may be made a party that could reasonably be expected to affect the validity of any of the outstanding Class A Non-Voting Common Stock, or that, if determined adversely to Artesian Resources or Artesian Water would, in any case or in the aggregate, result in any material adverse change in the Business Conditions of Artesian Resources, nor to Artesian Resources' knowledge is there any reasonable basis for any such claim, action, suit, protest, proceeding, arbitration, investigation or inquiry. There are no outstanding orders, judgments or decrees of any court, governmental agency, instrumentality or other tribunal enjoining Artesian Resources or Artesian Water from, or requiring Artesian

Resources or Artesian Water to take or refrain from taking, any action, or to which Artesian Resources or Artesian Water or their properties, assets or businesses are bound or subject.

(v) Each of Artesian Resources and Artesian Water owns, or possesses adequate rights to use, all patents, patent applications, trademarks, trademark registrations, applications for trademark registration, trade names, service marks, licenses, inventions, copyrights, know-how (including any unpatented and/or unpatentable proprietary or confidential technology, information, systems, design methodologies and devices or procedures developed or derived from or for Artesian Resources' or Artesian Water's business), trade secrets, confidential information, processes and formulations and other proprietary information necessary for, used in, or proposed to be used in, the conduct of the business of Artesian Resources and Artesian Water as described in the Prospectus (collectively, the "Intellectual Property"). To Artesian Resources' knowledge, neither Artesian Resources nor Artesian Water has infringed, is infringing and Artesian Resources and Artesian Water have not received any notice of conflict with, the asserted rights of others with respect to the Intellectual Property that, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, could materially adversely affect the Business Conditions of Artesian Resources, and Artesian Resources knows of no reasonable basis therefor. To the knowledge of Artesian Resources, no other parties have infringed upon or are in conflict with any Intellectual Property. Neither Artesian Resources nor Artesian Water is a party to, or bound by, any agreement pursuant to which royalties, honorariums or fees are payable by Artesian Resources or Artesian Water to any person by reason of the ownership or use of any Intellectual Property.

(w) Each of Artesian Resources and Artesian Water has good and marketable title to all property described in the Prospectus as being owned by it, free and clear of all liens, security interests, charges or encumbrances and the like, except such as are expressly described or referred to in the Prospectus or such as do not materially adversely affect the Business Conditions or the conduct of the business of Artesian Resources and Artesian Water as described in the Prospectus. Each of Artesian Resources and Artesian Water has insured its property against loss or damage by fire or other casualty, in amounts reasonably believed by Artesian Resources to be adequate, and maintains insurance against such other risks as management of Artesian Resources deems appropriate. All real and personal property leased by Artesian Resources and Artesian Water as described or referred to in the Prospectus, is held by Artesian Resources and Artesian Water as applicable, under valid leases. The executive offices and facilities of Artesian Resources and Artesian Water (the "Premises"), and all operations presently or formerly conducted thereon by Artesian Resources or Artesian Water or any predecessors thereof, are now and, since Artesian Resources or Artesian Water began to use such Premises, always have been and, to the knowledge of Artesian Resources prior to when Artesian

Resources or Artesian Water began to use such Premises, always had been, in compliance with

all federal, state and local statutes, ordinances, regulations, rules, standards and requirements of common law concerning or relating to industrial hygiene and the protection of health and the environment (collectively, "the Environmental laws"), except to the extent that any failure in such compliance would not materially adversely affect the Business Conditions of Artesian Resources or Artesian Water. To the knowledge of Artesian Resources, the facilities of Artesian Resources and Artesian Water produce water of sufficient quality and quantity to supply the current and planned customers and service areas of Artesian Resources and Artesian Water, and are not subject to any restriction on groundwater withdrawal under any federal, state or local law, regulation, rule, order or permit, except as expressly described in the Prospectus or as provided in State of Delaware allocation permits and such as do not materially adversely affect the Business Conditions or the conduct of the business of Artesian Resources and Artesian Water as described in the Prospectus. To the knowledge of Artesian Resources, there are no conditions on, about, beneath or arising from the Premises, in close proximity to the Premises or at any other location that might give rise to liability, the imposition of a statutory lien or require a "Response," "Removal" or "Remedial Action," as defined herein, under any of the Environmental laws, or affect the quality of the groundwater withdrawn by Artesian Resources or Artesian Water, and that would materially adversely affect the Business Conditions of Artesian Resources except as described in the Prospectus. Except as expressly disclosed in the Prospectus, or which will not materially adversely affect the Business Conditions of Artesian Resources (i) neither Artesian Resources nor Artesian Water has received notice or has knowledge of any claim, demand, investigation, regulatory action, suit or other action instituted or threatened against Artesian Resources or Artesian Water or any portion of the Premises or any parcel in close proximity to the Premises relating to any of the Environmental laws and (ii) neither Artesian Resources or Artesian Water has received any notice of material violation, citation, complaint, order, directive, request for information or response thereto, notice letter, demand letter or compliance schedule to or from any governmental or regulatory agency arising out of or in connection with "hazardous substances" (as defined by applicable Environmental laws) on, about, beneath, arising from or generated at the Premises, near the Premises or at any other location. As used in this subsection, the terms "Response," "Removal" and "Remedial Action" shall have the respective meanings assigned to such terms under Sections 101(23)-101(25) of the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act, 42 U.S.C. 9601(23)-9601(25).

(x) Each of Artesian Resources and Artesian Water maintain a system of internal accounting controls sufficient to provide reasonable assurances that:

(i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary in order to permit preparation of financial statements in accordance with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific

authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(y) Artesian Resources, Artesian Water and any Related Employer (which for purposes of this Paragraph means any entity that with Artesian Resources or Artesian Water is a member of a controlled group of corporations within the meaning of Section 414(b) of the Internal Revenue Code of 1986 as amended (the "Code"), is, individually or collectively, a trade or business under common control within the meaning of Section 414(c) of the Code, or is a member of the same affiliated service group within the meaning of Section 414(m) of the Code) have established, maintain, contribute to, are required to contribute to, are a party to, or are bound by certain pension, retirement, profit-sharing plans, deferred compensation, bonus, or other incentive plans, or medical, vision, dental, or other health plans, or life insurance or disability plans, or any other employee benefit plans, programs, arrangements, agreements, or understandings, some of which are subject to the Employee Retirement Income Security Act of 1974 as amended ("ERISA") and the rules and regulations thereunder ("Plans"). Any disclosure regarding the Plans required under the Act or the Exchange Act has been made in the Prospectus and the documents incorporated therein. All Plans that are subject to ERISA are in compliance with ERISA, in all material respects, and, to the extent a Plan is intended to be tax-qualified within the meaning of Section 401(a) of the Code, such Plan is in compliance with the Code in all material respects and is the subject of a current favorable determination letter from the Internal Revenue Service as to its tax qualification. No Plan is an employee pension benefit plan that is subject to Part 3 of Subtitle B of Title I of ERISA, a defined benefit plan subject to Title IV of ERISA, or a multiemployer plan. Neither Artesian Resources nor Artesian Water nor any Related Employer maintains or has maintained retiree life or retiree health insurance plans that are employee welfare benefit plans providing for continuing benefit or coverage for any employee or any beneficiary of any employee after such employee's termination of employment, except as required by Section 4980B of the Code and except as disclosed in the Prospectus. No fiduciary or other party in interest with respect to any of the Plans has caused any of such Plans to engage in a prohibited transaction as defined in Section 406 of ERISA and Section 4975 of the Code. As used in this subsection, the terms "defined benefit plan," "employee benefit plan," "employee pension benefit plan," "employee welfare benefit plan," "fiduciary" and "multiemployer plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

(z) No labor dispute exists with Artesian Resources' or Artesian Water's employees, and to Artesian Resources' knowledge, no such labor dispute is threatened. Artesian Resources has no knowledge of any existing or threatened labor disturbance by the employees of any of the principal suppliers, contractors or customers of Artesian Resources or Artesian Water that would materially adversely affect the Business Conditions of Artesian

Resources or Artesian Water. None of Artesian Resources' or Artesian Water's employees is covered by a collective bargaining agreement and no union organizing activity exists with respect to any of such employees.

(aa) Neither Artesian Resources nor Artesian Water has incurred any liability for any finder's fees or similar payments in connection with the transactions contemplated herein other than as disclosed in the Prospectus.

(bb) Artesian Resources is familiar with the Investment Company Act of 1940, as amended (the "1940 Act"), and the rules and regulations thereunder, and has in the past conducted, and Artesian Resources intends to conduct, its affairs in such a manner as to ensure that it will not be an "investment company" within the meaning of the 1940 Act and the rules and regulations thereunder.

(cc) No statement, representation, warranty or covenant made by Artesian Resources or Artesian Water in this Agreement or in any certificate or document required by this Agreement to be delivered to the Representative is, or as of the Closing Date or any Option Closing Date will be, inaccurate, untrue or incorrect in any material respect. No transaction has occurred or is proposed between or among Artesian Resources or Artesian Water and any of their respective officers, directors or stockholders or any affiliate of the foregoing, or any affiliate of the foregoing that is required to be described in and is not described in the Registration Statement and the Prospectus.

(dd) Neither Artesian Resources or Artesian Water, nor any officer, director, employee, partner, agent or other person acting on behalf of Artesian Resources or Artesian Water has, directly or indirectly, given or agreed to give any money, property or similar benefit or consideration to any customer or supplier (including any employee or agent of any customer or supplier) or official or employee of any agency or instrumentality of any government (foreign or domestic) or political party or candidate for office (foreign or domestic) or any other person who was, is or in the future may be in a position to affect the Business Conditions of Artesian Resources or any actual or proposed business transaction of Artesian Resources or Artesian Water that (i) could subject Artesian Resources or Artesian Water to any liability (including, but not limited to, the payment of monetary damages) or penalty in any civil, criminal or governmental action or proceeding that would have a material adverse effect on the Business Conditions of Artesian Resources or (ii) with respect to Artesian Resources, Artesian Water, or any officer or director thereof, violates any law, rule or regulation to which Artesian Resources or Artesian Water is subject.

Any certificate signed by any officer of Artesian Resources or Artesian Water in such capacity and delivered to the Representative or to counsel for the Underwriters pursuant to this Agreement shall be deemed a representation and warranty by Artesian Resources or Artesian Water as the case may be, to the several Underwriters as to the matters covered thereby.

2. Purchase and Sale of Firm Shares. On the basis of the representations, warranties, covenants and agreements contained herein, but subject to the terms and conditions set forth herein, Artesian Resources shall sell the firm Shares to the several Underwriters at the Offering Price less the Underwriting Discounts and Commissions shown on the cover page of the Prospectus, and the Underwriters, severally and not jointly, shall purchase from Artesian Resources on a firm commitment basis, at the Offering Price less the Underwriting Discounts and Commissions shown on the cover page of the Prospectus, the respective amounts of the Firm Shares set forth opposite their names on Schedule I hereto. In making this Agreement, each Underwriter is contracting severally and not jointly, and except as provided in Sections 4 and 11 hereof, the agreement of each Underwriter is to purchase only that number of Shares specified with respect to that Underwriter in Schedule I hereto. The Underwriters shall offer the Shares to the public as set forth in the Prospectus.

3. Payment and Delivery. Payment for the Firm Shares shall be made by certified or official bank check or checks payable to the order of Artesian Resources in New York Clearing House (next day) funds, at the offices of Janney Montgomery Scott Inc., 1801 Market Street, Philadelphia, Pennsylvania, or in immediately available funds wired to such accounts as Artesian Resources may specify (with all costs and expenses incurred by the Underwriters in connection with such settlement in immediately available funds, including, but not limited to, interest or cost of funds and expenses, to be borne by Artesian Resources), against delivery of the Firm Shares to the Representative at the offices of Janney Montgomery Scott Inc., 1801 Market Street, Philadelphia, Pennsylvania for the respective accounts of the Underwriters. Such payment and delivery will be made at 10:00 a.m., Philadelphia, Pennsylvania time, on the third business day after the date of this Agreement, or at such other time on the same or such other date, not later than seven business days thereafter as shall be designated in writing by the Representative. Such time and date are referred to herein as the "Closing Date." The certificates representing the Firm Shares to be sold and

delivered will be in such denominations and registered in such names as the Representative requests not less than two full business days prior to the Closing Date, and will be made available to the Representative for inspection, checking and packaging at the Philadelphia correspondent office of Artesian Resources' transfer agent not less than one full business day prior to the Closing Date.

4. Option to Purchase Optional Shares.

(a) For the purposes of covering any over-allotments in connection with the distribution and sale of the Firm Shares as contemplated by the Prospectus, subject to the terms and conditions herein set forth, the several Underwriters are hereby granted an option by Artesian Resources to purchase all or any part of the Optional Shares (the "Over-allotment Option"). The purchase price to be paid for the Optional Shares shall be the Offering Price less the Underwriting Discounts and Commissions shown on the cover page of the Prospectus. The Over-allotment Option granted hereby may be exercised by the Representative on behalf of the several Underwriters as to all or any part of the Optional Shares at any time and from time to time within 30 days after the date of the Prospectus. No Underwriter shall be under any obligation to purchase any Optional Shares prior to an exercise of the Over-allotment Option.

(b) The Over-allotment Option granted hereby may be exercised by the Representative on behalf of the several Underwriters by giving notice to Artesian Resources by a letter sent by registered or certified mail, postage prepaid, telex, telegraph, telegram or facsimile (such notice to be effective when received), addressed as provided in Section 13 hereof, setting forth the number of Optional Shares to be purchased, the date and time for delivery of and payment for the Optional Shares and stating that the Optional Shares referred to therein are to be used for the purpose of covering over-allotments in connection with the distribution and sale of the Firm Shares. If such notice is given at least two full business days prior to the Closing Date, the date set forth therein for such delivery and payment shall be not earlier than the Closing Date. If such notice is given after two full business days prior to the Closing Date, the date set forth therein for such delivery and payment shall be a date selected by the Representative not later than five full business days after the exercise of the Over-allotment Option. The date and time set forth in such a notice is referred to herein as an "Option Closing Date," and a closing held pursuant to such a notice is referred to herein as an "Option Closing." Upon each exercise of the Over-allotment Option, and on the basis of the representations, warranties, covenants and agreements herein contained, and subject to the terms and conditions herein set forth, the several Underwriters shall become severally, but not jointly, obligated to purchase from Artesian Resources the number of Optional Shares specified in each notice of exercise of the Over-allotment option (allocated among them in accordance with Section 4(c) hereof).

(c) The number of Optional Shares to be purchased by each Underwriter pursuant to each exercise of the Over-allotment Option shall be the number that bears the same ratio to the aggregate number of Optional Shares being purchased through such Over-allotment Option exercise as the number of Firm Shares opposite the name of such Underwriter in Schedule I hereto bears to the total number of all Firm Shares. Notwithstanding the foregoing, the number of Optional Shares purchased and sold pursuant to each exercise of the Over-allotment Option shall be subject to such adjustment as the Representative may approve to eliminate fractional shares and subject to the provisions for the allocation of Optional Shares

purchased for the purpose of covering over-allotments set forth in the agreement entered into by and among the Underwriters in connection herewith (the "Agreement Among Underwriters").

(d) Payment for the Optional Shares shall be made to Artesian Resources, by certified or official bank check payable to the order of Artesian Resources, in New York Clearing House (next day) funds, at the offices of Janney Montgomery Scott Inc., 1801 Market Street, Philadelphia, Pennsylvania, or such other place as shall be agreed upon by Artesian Resources and the Representative, or in immediately available funds wired to such accounts as Artesian Resources may specify (with all costs and expenses incurred by the Underwriters in connection with such settlement in immediately available funds, including, but not limited to, interest or cost of funds and expenses, to be borne by Artesian Resources), against delivery of the Optional Shares to the Representative at the offices of Janney Montgomery Scott Inc., 1801 Market Street, Philadelphia, Pennsylvania, for the respective accounts of the Underwriters. The certificates representing the Optional Shares to be issued and delivered will be in such denominations and registered in such names as the Representative requests upon reasonable notice prior to such Option Closing Date, and will be made available to the Representative for inspection, checking and packaging at the Philadelphia correspondent office of Artesian Resources' transfer agent at a reasonable time in advance of such Option Closing Date.

5. Certain Covenants and Agreements of Artesian Resources. Artesian Resources covenants and agrees with the several Underwriters as follows:

(a) If Rule 430A of the Regulations is employed, Artesian Resources will timely file the Prospectus pursuant to and in compliance with Rule 424(b) of the Regulations and will advise the Representative of the time and manner of such filing.

(b) Artesian Resources will not file or publish any amendment or supplement to the Registration Statement, Preliminary Prospectus or Prospectus at any time before the completion (in the opinion of the Underwriters' counsel) of the distribution of the Shares by the Underwriters that is not (i) in compliance with the Regulations and (ii) approved by the Representative (such approval not to be unreasonably withheld or delayed).

(c) Artesian Resources will advise the Representative immediately, and confirm such advice in writing, (i) when any post-effective amendment to the Registration Statement is filed with the SEC under Rule 462(c) under the Act or otherwise, (ii) any Rule 462(b) Registration Statement is filed, (iii) of the receipt of any comments from the SEC concerning the Registration Statement, (iv) when any post-effective amendment to the Registration Statement becomes effective, or when any supplement to the Prospectus or any

amended Prospectus has been filed, (v) of any request of the SEC for amendment or supplementation of the Registration Statement or Prospectus or for additional information, (vi) during the period when the Prospectus is required to be delivered under the Act and Regulations, of the happening of any event as a result of which the Registration Statement or the Prospectus would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein not misleading, (vii) during the period noted in clause (vi) above, of the need to amend the Registration Statement or supplement the Prospectus to comply with the Act, (viii) of the issuance by the SEC of any stop order suspending the effectiveness of the Registration Statement or of any order preventing or suspending the use of any Preliminary Prospectus or the Prospectus, and (ix) of the suspension of the qualification of any of the Shares for offering or sale in any jurisdiction in which the Underwriters intend to make such offers or sales, or the initiation or threatening of any proceedings for any of such purposes known to Artesian Resources. Artesian Resources will use its best efforts to prevent the issuance of any such stop order or of any order preventing or suspending such use, and if any such order is issued, to obtain as soon as possible the lifting thereof.

(d) Artesian Resources has delivered to the Representative, without charge, as many copies of each Preliminary Prospectus as the Representative has reasonably requested. Artesian Resources will deliver to the Representative, without charge, from time to time during the period when delivery of the Prospectus is required under the Act, such number of copies of the Prospectus (as supplemented or amended) as the Representative may reasonably request. Artesian Resources hereby consents to the use of such copies of the Preliminary Prospectus and the Prospectus for purposes permitted by the Act, the Regulations and the securities or Blue Sky laws of the states or foreign jurisdictions in which the Shares are offered by the several Underwriters and by all dealers to whom Shares may be sold, both in connection with the offering and sale of the Shares and for such period of time thereafter as the Prospectus is required by the Act to be delivered in connection with sales by any Underwriter or dealer. Artesian Resources has furnished or will furnish to the Representative at least three original signed copies of the Registration Statement as originally filed and of all amendments and supplements thereto, whether filed before or after the Effective Date, at least three copies of all exhibits filed therewith and of all consents and certificates of experts, and will deliver to the Representative such number of conformed copies of the Registration Statement, including financial statements and exhibits, and all amendments thereto, as the Representative may reasonably request.

(e) Artesian Resources will comply with the Act, the Regulations, the Exchange Act and the rules and regulations thereunder so as to permit the continuance of sales of and dealings in the Shares for as long as may be necessary to complete the distribution of the Shares as contemplated hereby.

(f) Artesian Resources will furnish such information and pay such filing fees and other expenses as may be required, and otherwise cooperate in the registration or qualification of the Shares, or exemption therefrom, for offering and sale by the several Underwriters and by dealers under the securities or Blue Sky laws of such jurisdictions in which the Representative determines to offer the Shares, after consultation with Artesian Resources, and will file such consents to service of process or other documents necessary or appropriate in order to effect such registration or qualification; provided, however, that no such qualification shall be required in any jurisdiction where, solely as a result thereof, Artesian Resources would be subject to taxation or qualification as a foreign corporation doing business in such jurisdiction where it is not now so qualified or to take any action which would subject it to service of process in suits, other than those arising out of the offering or sale of the Shares, in any jurisdiction where it is not now so subject. Artesian Resources will, from time to time, prepare and file such statements and reports as are or may be required to continue such qualification in effect for so long a period as is required under the laws of such jurisdictions for such offering and sale. Artesian Resources will furnish such information and pay such filing fees and other expenses as may be required, and otherwise cooperate in the listing of the Shares on the Nasdaq National Market. Artesian Resources will, from time to time, prepare and file such statements and reports as are or may be required to continue such qualification in effect for a period of three years from the Effective Date.

(g) Subject to Section 5(b) hereof, in case of any event (occurring at any time within the period during which, in the opinion of counsel for the Underwriters, a prospectus is required to be delivered under the Act or the Regulations), as a result of which any Preliminary Prospectus or the Prospectus, as then amended or supplemented, would contain, in the opinion of counsel for the Underwriters, an untrue statement of a material fact, or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, or, if it is necessary at any time to amend any Preliminary Prospectus or the Prospectus to comply with the Act or the Regulations or any applicable securities or Blue Sky laws, Artesian Resources promptly will prepare and file with the SEC, and any applicable state and foreign securities commission, an amendment, supplement or document that will correct such statement or omission or effect such compliance and will furnish to the several Underwriters such number of copies of such amendments, supplements or documents (in form and substance satisfactory to the Representative and counsel for the Underwriters) as the Representative may reasonably request. For purposes of this Section 5(g), Artesian Resources will provide such information to the Representative, the Underwriters' counsel and counsel to Artesian Resources as shall be necessary to enable such persons to consult with Artesian Resources with respect to the need to amend or supplement the Registration Statement, Preliminary Prospectus or Prospectus or file any document, and shall furnish to the

Representative and the Underwriters' counsel such further information as each may from time to time reasonably request.

(h) Artesian Resources will make generally available to its security holders not later than 45 days after the end of the period covered thereby, an earnings statement of Artesian Resources (which need not be audited unless required by the Act or the Regulations) that shall comply with Section 11(a) of the Act and Rule 158 thereunder and cover a period of at least 12 consecutive months beginning not later than the first day of Artesian Resources' fiscal quarter next following the Effective Date (or, if later, the effective date of the Rule 462(b) Registration Statement).

(i) For a period of three years from the Effective Date, Artesian Resources will deliver to the Representative and, upon request, to each of the Underwriters: (i) a copy of each report or document, including, without limitation, reports on Forms 8-K, 10-K and 10-Q (or such similar forms as may be designated by the SEC), registration statements and any exhibits thereto, filed or furnished to the SEC or any securities exchange or the NASD, on the date each such report or document is so filed or furnished; (ii) as soon as practicable, copies of any reports or communications (financial or other) of Artesian Resources mailed to its security holders; and (iii) every material press release in respect of Artesian Resources or its affairs that is released or prepared by Artesian Resources.

(j) During the course of the distribution of the Shares, Artesian Resources will not take, directly or indirectly, any action designed to, or that could reasonably be expected to, cause or result in stabilization or manipulation of the price of the Common Stock.

(k) Artesian Resources has caused each person listed on Schedule II hereto to execute an agreement (a "Lock-up Agreement") in form and substance satisfactory to the Representative and the Underwriters' counsel which provides that for a period of 90 days from the date of the final Prospectus, as amended or supplemented, such persons will not, without the prior written consent of the Representative, directly or indirectly, sell, offer or contract to sell or grant any option to purchase or otherwise dispose of any shares of Common Stock (or any securities convertible into or exercisable or exchangeable for any shares of Common Stock). Artesian Resources has delivered such agreements to the Representative prior to the date of this Agreement. Appropriate stop transfer instructions will be issued by Artesian Resources to the transfer agent for the Class A Non-Voting Common Stock, and a copy of such instructions will be delivered to the Representative.

(l) For a period of 90 days after the Effective Date, Artesian Resources will not, without the prior written consent of the Representative, offer, sell, contract to

sell or otherwise dispose of any Class A Non-Voting Common Stock or any securities convertible into or exercisable for any Class A Non-Voting Common Stock or grant options to purchase any Class A Non-Voting Common Stock, except (i) the issuance of Class A NonVoting Common Stock upon the exercise of currently outstanding options and warrants as described in the Prospectus, (ii) the grant of options to purchase Class A Non-Voting Common Stock under Artesian Resources' currently outstanding stock option plans and the issuance of Class A Non-Voting Common Stock upon the exercise thereof and (iii) the issuance of Class A Non-Voting Common Stock under Artesian Resources' Dividend Reinvestment Plan and 401(k) Plan.

(m) For a period of three years from the Effective Date, Artesian Resources will use all reasonable efforts to maintain the listing of the Class A Non-Voting Common Stock (including, without limitation, the Shares) on the Nasdaq National Market or on a national securities exchange.

(n) Artesian Resources shall, at its sole cost and expense, supply and deliver to the Representative and the Underwriters' counsel, within a reasonable period from the Closing Date, transaction binders in such number and in such form and content as the Representative reasonably requests.

(o) Artesian Resources will use the net proceeds from the sale of the Shares to be sold by it hereunder substantially in accordance with the description set forth in the Prospectus.

6. Payment of Fees and Expenses.

(a) Whether or not the transactions contemplated by this Agreement are consummated and regardless of the reason this Agreement is terminated, Artesian Resources will pay or cause to be paid, and bear or cause to be borne, all costs and expenses incident to the performance of the obligations of Artesian Resources under this Agreement, including: (i) the fees and expenses of the accountants and counsel for Artesian Resources incurred in the preparation of the Registration Statement and any post-effective amendments thereto (including financial statements and exhibits), Preliminary Prospectuses and the Prospectus and any amendments or supplements thereto; (ii) printing and mailing expenses associated with the Registration Statement and any post-effective amendments thereto, any Preliminary Prospectus, the Prospectus, this Agreement, the Agreement Among Underwriters, the Underwriters' Questionnaire, the power of attorney executed by each of the Underwriters, the Selected Dealer Agreement and related documents and the Preliminary Blue Sky Memorandum (and any supplement thereto); (iii) the costs and expenses (other than fees and expenses of the

Underwriters' counsel, except such fees incurred in connection with Blue Sky and NASD filings or exemptions as provided herein) incident to the authentication, issuance, sale and delivery of the Shares to the Underwriters; (iv) the fees, expenses and all other costs of qualifying the Shares for sale under the securities or Blue Sky laws of those states or foreign jurisdictions in which the Shares are to be offered or sold, including the reasonable fees and expenses of Underwriters' counsel and such local counsel as may have been reasonably required and retained for such purpose, except such fees and expenses shall not exceed $5,000; (v) the fees, expenses and other costs of, or incident to, securing any review or approvals by or from the NASD, including the reasonable fees and expenses of the Underwriters' counsel, subject to the limitation on fees set forth in clause (iv) above; (vi) the filing fees of the SEC; (vii) the cost of furnishing to the Underwriters copies of the Registration Statement, Preliminary Prospectuses and Prospectuses as herein provided; (viii) Artesian Resources' travel expenses in connection with meetings with the brokerage community and institutional investors; (ix) the costs and expenses associated with settlement in same day funds (including, but not limited to, interest or cost of funds expenses), if desired by Artesian Resources; (x) any fees or costs payable to the Nasdaq National Market as a result of the offering; (xi) the cost of printing certificates for the Shares; (xii) the costs and charges of any transfer agent; (xiii) the reasonable costs of advertising the offering, including, without limitation, with respect to the placement of "tombstone" advertisements in publications selected by the Representative; (xiv) all taxes, if any, on the issuance, delivery and transfer of the Shares sold by Artesian Resources; and (xv) all other costs and expenses reasonably incident to the performance of Artesian Resources' obligations hereunder that are not otherwise specifically provided for in this Section 6(a); provided, however, that, except as specifically set forth in Section 6(c) hereof, the Underwriters shall be responsible for their out-of-pocket expenses, including those associated with meetings with the brokerage community and institutional investors, other than Artesian Resources' travel expenses, and the fees and expenses of their counsel for other than with respect to Blue Sky and NASD matters.

(b) Artesian Resources shall pay as due any state or foreign registration, qualification and filing fees and any accountable out-of-pocket disbursements in connection with such registration, qualification or filing in the states and foreign jurisdictions in which the Representative determines to offer or sell the Shares.

(c) On the Closing Date, Artesian Resources shall pay the Representative a non-accountable expense allowance in the amount of $50,000.

(d) If (i) the Underwriters are willing to proceed with the offering, and the transactions contemplated by this Agreement are not consummated because Artesian Resources elects not to proceed with the offering for any reason or (ii) the Representative

terminates this Agreement pursuant to Section 10(b) hereof, then Artesian Resources will pay to the Representative the amount provided in Section 6(c).

7. Conditions of Underwriters' Obligations. The obligation of each Underwriter to purchase and pay for the Firm Shares that it has agreed to purchase hereunder on the Closing Date, and to purchase and pay for any Optional Shares as to which it exercises its right to purchase under Section 4 on an Option Closing Date, is subject at the date hereof, the Closing Date and any Option Closing Date to the continuing accuracy and fulfillment of the representations and warranties of Artesian Resources, to the performance by Artesian Resources of its covenants and obligations hereunder, and to the following additional conditions:

(a) If required by the Regulations, the Prospectus shall have been filed with the SEC pursuant to Rule 424(b) of the Regulations within the applicable time period prescribed for such filing by the Regulations. On or prior to the Closing Date or any Option Closing Date, as the case may be, no stop order or other order preventing or suspending the effectiveness of the Registration Statement (including any document incorporated by reference therein) or the sale of any of the Shares shall have been issued under the Act or any state or foreign securities law, and no proceedings for that purpose shall have been initiated or shall be pending or, to the Representative's knowledge or the knowledge of Artesian Resources, shall be contemplated by the SEC or by any authority in any jurisdiction designated by the Representative pursuant to Section 5(f) hereof. Any request on the part of the SEC or any state or foreign securities authority for additional information shall have been complied with to the reasonable satisfaction of counsel for the Underwriters.

(b) All corporate proceedings and other matters incident to the authorization, form and validity of this Agreement, the Shares and the form of the Registration Statement and the Prospectus, and all other legal matters relating to this Agreement and the transactions contemplated hereby shall be satisfactory in all material respects to counsel for the Underwriters. Artesian Resources shall have furnished to such counsel all documents and information that they may have reasonably requested to enable them to pass upon such matters. The Representative shall have received from the Underwriters' counsel, Ballard Spahr Andrews & Ingersoll, LLP an opinion, dated as of the Closing Date and any Option Closing Date, as the case may be, and addressed to the Representative individually and as representative of the several Underwriters, which opinion shall be satisfactory in all respects to the Representative.

(c) The Representative shall have received a copy of an executed Lock-up Agreement from each person listed on Schedule II hereto.

(d) The Representative shall have received at or prior to the Closing Date from the Underwriters' counsel a memorandum or summary, in form and substance satisfactory to the Representative, with respect to the qualification for offering and sale by the Underwriters of the Shares under the securities or Blue Sky laws of such jurisdictions designated by the Representative pursuant to Section 5(f) hereof.

(e) On the Closing Date and any Option Closing Date, there shall have been delivered to the Representative signed opinions of Morgan, Lewis & Bockius LLP and Morris Nichols Arsht & Tunnell, counsels for Artesian Resources, dated as of each such date and addressed to the Representative individually and as representative of the several Underwriters to the effect set forth in Exhibits A and B hereto or to such effect as is otherwise reasonably satisfactory to the Representative.

(f) At the Closing Date and any Option Closing Date: (i) the Registration Statement and any post-effective amendment thereto and the Prospectus and any amendments or supplements thereto shall contain all statements that are required to be stated therein in accordance with the Act and the Regulations and in all material respects shall conform to the requirements of the Act and the Regulations, and neither the Registration Statement nor any post-effective amendment thereto nor the Prospectus and any amendments or supplements thereto shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) since the respective dates as of which information is given in the Registration Statement and any post-effective amendment thereto and the Prospectus and any amendments or supplements thereto, except as otherwise stated therein, there shall have been no material adverse change in the Business Conditions of Artesian Resources from that set forth therein, whether or not arising in the ordinary course of business; (iii) since the respective dates as of which information is given in the Registration Statement and the Prospectus or any amendment or supplement thereto, there shall have been no event or transaction, contract or agreement entered into by Artesian Resources or Artesian Water other than in the ordinary course of business and as set forth in the Registration Statement or Prospectus, that has not been, but would be required to be, set forth in the Registration Statement or Prospectus; (iv) since the respective dates as of which information is given in the Registration Statement and any post-effective amendment thereto and the Prospectus and any amendments or supplements thereto, there shall have been no material adverse change, loss, reduction, termination or non-renewal of any contract to which Artesian Resources or Artesian Water is a party, that has not been, but would be required to be set forth in the Registration Statement or Prospectus; and (v) no action, suit or proceeding at law or in equity shall be pending or threatened against Artesian Resources or Artesian Water that would be required to be set forth in the Prospectus, other than as set forth therein, and no proceedings shall be pending or threatened against or directly affecting Artesian Resources or Artesian Water

before or by any federal, state or other commission, board or administrative agency wherein an unfavorable decision, ruling or finding would materially adversely affect the Business Conditions of Artesian Resources.

(g) The Representative shall have received at the Closing Date and any Option Closing Date certificates of the Chief Executive Officer and the Chief Financial Officer of Artesian Resources dated as of the date of the Closing Date or Option Closing Date, as the case may be, and addressed to the Representative, individually and as representatives of the several Underwriters, to the effect that (i) the representations and warranties of Artesian Resources in this Agreement are true and correct, as if made at and as of the Closing Date or the Option Closing Date, as the case may be, and that Artesian Resources has complied with all the agreements, fulfilled all the covenants and satisfied all the conditions on its part to be performed, fulfilled or satisfied at or prior to the Closing Date or the Option Closing Date, as the case may be, and (ii) the signers of the certificate have carefully examined the Registration Statement and the Prospectus and any amendments or supplements thereto, and the conditions set forth in Section 7(g) hereof have been satisfied.

(h) At the time this Agreement is executed and at the Closing Date and any Option Closing Date the Representative shall have received a letter, dated the date of delivery thereof, addressed to the Representative, individually and as representative of the several Underwriters, in form and substance satisfactory to the Representative in all respects (including, without limitation, the non-material nature of the changes or decreases, if any, referred to in clause (iii) below) from KPMG LLP:

(i) confirming they are independent certified public accountants within the meaning of the Act and the Regulations, and stating that the section of the Registration Statement under the caption "Experts" is correct insofar as it relates to them;

(ii) stating that, in their opinion, the consolidated financial statements, schedules and notes of Artesian Resources audited by them and included in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Act and the Regulations;

(iii) stating that, on the basis of specified procedures, which included a reading of the latest available unaudited interim consolidated financial statements of Artesian Resources (with an indication of the date of the latest available unaudited interim financial statements), a reading of the minutes of the meetings of the stockholders and the Boards of Directors of Artesian Resources and Artesian Water and the Audit and Personnel, Compensation and Benefits Committees of such Boards and inquiries to certain officers and

other employees of Artesian Resources and Artesian Water responsible for operational, financial and accounting matters and other specified procedures and inquiries, nothing has come to their attention that would cause them to believe that at a specified date not more than five business days prior to the date of such letter, there was any change in the capital stock (other than (1) the issuance of Class A Non-Voting Common Stock upon the exercise of currently outstanding options and warrants as described in the Prospectus, (2) the grant of options to purchase Class A Non-Voting Common Stock under Artesian Resources' currently outstanding stock options plans and the issuance of Class A Non-Voting Common Stock upon the exercise thereof and (3) the issuance of Class A Non-Voting Common Stock under Artesian Resources' Dividend Reinvestment Plan and 401(k) Plan), increase in long-term debt of Artesian Resources or any decrease in consolidated net current assets or stockholders equity of Artesian Resources as compared with the amounts shown in the December 31, 1998 audited balance sheets of Artesian Resources included in the Registration Statement or that for the periods from December 31, 1998 to the date of the latest available unaudited financial statements of Artesian Resources, if any, and to a specified date not more than five days prior to the date of the letter, there were any decreases, as compared to the corresponding periods in the prior year, in operating income or total or per share amounts of net income, except in all instances for changes, decreases or increases that the Registration Statement discloses have occurred or may occur and except for such other changes, decreases or increases which the Underwriters shall in their sole discretion accept.

(iv) stating that they have compared specific dollar amounts (or percentages derived from such dollar amounts), numbers of shares and other numerical data and financial information set forth in the Registration Statement that have been reasonably specified by the Representative prior to the date of this Agreement (in each case to the extent that such dollar amounts, percentages and other information is derived from the general accounting records subject to the internal controls of Artesian Resources' or Artesian Water's accounting systems, or has been derived directly from such accounting records by analysis or comparison or has been derived from other records and analyses maintained or prepared by Artesian Resources or Artesian Water) with the results obtained from the application of readings, inquiries and other appropriate procedures set forth in the letter, and found them to be in agreement.

All financial statements and schedules included in material incorporated by reference into the Prospectus shall be deemed included in the Registration Statement for purposes of this subsection.

(i) There shall have been duly tendered to the Representative for the respective accounts of the Underwriters, certificates representing all of the Shares to be purchased by the Underwriters on the Closing Date or Option Closing Date, as the case may be.

(j) All corporate and other proceedings and other matters incident to the authorization, form and validity of this Agreement and the form of the Registration Statement and Prospectus and all other legal matters related to this Agreement and the transactions contemplated hereby shall be reasonably satisfactory in all respects to counsel to the Underwriters. Artesian Resources shall have furnished to such counsel all documents and information that they shall have reasonably requested to enable them to pass upon such matters.

(k) At the Closing Date and any Option Closing Date, the Representative shall have been furnished such additional documents, information and certificates as they shall have reasonably requested.

All such opinions, certificates, letters and documents shall be in compliance with the provisions hereof only if they are reasonably satisfactory in form and substance to the Representative and the Underwriters' counsel. Artesian Resources shall furnish the Representative with such conformed copies of such opinions, certificates, letters and other documents as they shall reasonably request. If any condition to the Underwriters' obligations hereunder to be fulfilled prior to or at the Closing Date or any Option Closing Date, as the case may be, is not fulfilled, the Representative may on behalf of the several Underwriters, terminate this Agreement with respect to the Closing Date or such Option Closing Date, as applicable, or, if they so elect, waive any such conditions which have not been fulfilled or extend the time for their fulfillment. Any such termination shall be without liability of the Underwriters to Artesian Resources.

8. Indemnification and Contribution.

(a) Artesian Resources shall indemnify and hold harmless each Underwriter, and each person, if any, who controls each Underwriter within the meaning of the Act, against any and all loss, liability, claim, damage and expense whatsoever, including, but not limited to, any and all reasonable expenses incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim whatsoever or in connection with any investigation or inquiry of, or action or proceeding that may be brought against, the respective indemnified parties, arising out of or based upon any breach of Artesian Resources' representations and warranties made in this Agreement or any untrue statements or alleged untrue statements of material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, any application or other document filed in any jurisdiction in order to qualify all or any part of the Shares under the securities laws thereof or filed with the SEC or the NASD (in this Section 8 collectively called "application"), or the omission or alleged omission from any of the foregoing of a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that the foregoing indemnity shall not

apply in respect of any statement or omission made in reliance upon and in conformity with written information furnished to Artesian Resources by any Underwriter through the Representative expressly for use in any Preliminary Prospectus, the Registration Statement or Prospectus, or any amendment or supplement thereto, or in any application or in any communication to the SEC, as the case may be; and further provided, however, that the indemnification contained in this Section 8(a) with respect to any Preliminary Prospectus shall not inure to the benefit of any Underwriter (or to the benefit of any person controlling such Underwriter) on account of any such loss, claim, liability or expense arising from the sale of the Shares by such Underwriter to any person if a copy of the Prospectus shall not have been delivered or sent to such person within the time required by the Act and the regulations thereunder, and the untrue statement or alleged untrue statement or omission or alleged omission of a material fact contained in such Preliminary Prospectus was corrected in the Prospectus, provided that Artesian Resources has delivered the Prospectus to the several Underwriters in requisite quantity on a timely basis to permit such delivery or sending. The obligations of Artesian Resources under this Section 8(a) will be in addition to any liability Artesian Resources may otherwise have.

(b) Each Underwriter, severally and not jointly, shall indemnify and hold harmless Artesian Resources, each of the directors of Artesian Resources, each of the officers of Artesian Resources who shall have signed the Registration Statement, and each other person, if any, who controls Artesian Resources within the meaning of the Act to the same extent as the foregoing indemnities from Artesian Resources to the several Underwriters, but only with respect to any and all loss, liability, claim, damage or expense resulting from statements or omissions, or alleged statements or omissions, if any, made in any Preliminary Prospectus, Registration Statement or Prospectus or any amendment or supplement thereof or any application or in any communication to the SEC in reliance upon, and in conformity with written information furnished to Artesian Resources by any Underwriter through the Representative expressly for use in any Preliminary Prospectus, the Registration Statement or Prospectus or any amendment or supplement thereof or any application or in any communication to the SEC, as the case may be. The obligations of each Underwriter under this Section 8(b) will be in addition to any liability which such Underwriter may otherwise have.

(c) If any action, inquiry, investigation or proceeding is brought against any person in respect of which indemnification may be sought pursuant to Section 8(a) or (b) hereof, such person (hereinafter called the "indemnified party") shall, promptly after notification of, or receipt of service of process for, such action, inquiry, investigation or proceeding, notify in writing the party or parties against whom indemnification is to be sought (hereinafter called the "indemnifying party") of the institution of such action, inquiry, investigation or proceeding. The indemnifying party, upon the request of the indemnified party,

shall assume the defense of such action, inquiry, investigation or proceeding, including, without limitation, the employment of counsel (reasonably satisfactory to such indemnified party) and payment of expenses. No indemnification provided for in this Section 8 shall be available to any indemnified party who shall fail to give such notice if the indemnifying party does not have knowledge of such action, inquiry, investigation or proceeding to the extent that such indemnifying party has been materially prejudiced by the failure to give such notice, but the omission to so notify the indemnifying party shall not relieve the indemnifying party otherwise than under this Section 8. Such indemnified party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless the employment of such counsel shall have been authorized in writing by the indemnifying party in connection with the defense of such action or if the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party or if such indemnified party or parties shall have been advised by counsel that there may be a conflict between the positions of the indemnifying party or parties and of the indemnified party or parties or that there may be legal defenses available to such indemnified party or parties different from or in addition to those available to the indemnifying party or parties, in any of which events the indemnified party or parties shall be entitled to select counsel to conduct the defense to the extent determined by such counsel to be necessary to protect the interests of the indemnified party or parties, and the reasonable fees and expenses of such counsel shall be borne by the indemnifying party. The indemnifying party shall be responsible for the fees and disbursements of only one such counsel so engaged by the indemnified party or parties. Expenses covered by the indemnification in this Section 8 shall be paid by the indemnifying party as they are incurred by the indemnified party. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party unless such settlement includes an unconditional release of such indemnified party from all liability on any claims that are the subject matter of such action. Anything in this Section 8 to the contrary notwithstanding an indemnifying party shall not be liable for any settlement of a claim effected without its written consent, which consent shall not be unreasonably withheld.

(d) If the indemnification provided for in this Section 8 is unavailable or insufficient to hold harmless an indemnified party under Section 8(a) or (b) hereof in respect of any losses, liabilities, claims, damages or expenses (or actions, inquiries, investigations or proceedings in respect thereof) referred to therein, except by reason of the failure to give notice as required in Section 8(c) hereof (provided that the indemnifying party does not have knowledge of the action, inquiry, investigation or proceeding and to the extent such party has been materially prejudiced by the failure to give such notice), then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, liabilities, claims,

damages or expenses (or actions, inquiries, investigations or proceedings in respect thereof in such proportion as is appropriate to reflect the relative benefits received by Artesian Resources on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of Artesian Resources on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, liabilities, claims or expenses (or actions, inquiries, investigations or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by Artesian Resources on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by Artesian Resources bears to the total underwriting discount and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by Artesian Resources on the one hand or the Underwriters on the other hand and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

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

9. Representations and Agreements to Survive Delivery. Except as the context otherwise requires, all representations, warranties and agreements contained in this Agreement shall be deemed to be representations, warranties and agreements at the Closing Date and any Option Closing Date. All such representations, warranties and agreements of the Underwriters and Artesian Resources, including, without limitation, the indemnity and contribution agreements contained in Section 8 hereof and the agreements contained in Sections 6, 9 and 10 hereof, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter or any controlling person, and shall survive delivery of the Shares and termination of this Agreement, whether before or after the Closing Date or any Option Closing Date.

10. Effective Date of This Agreement and Termination Hereof.

(a) This Agreement shall become effective at 10:00 a.m., Philadelphia, Pennsylvania time, on the first business day following the Effective Date or at the time of the public offering by the Underwriters of the Shares, whichever is earlier, except that the provisions of Sections 6, 8, 9 and 10 hereof shall be effective upon execution hereof. The time of the public offering, for the purpose of this Section 10, shall mean the time when any of the Shares are first released by the Underwriters for offering by dealers. The Representative and Artesian Resources may prevent the provisions of this Agreement (other than those contained in Sections 6, 8, 9 and 10) hereof from becoming effective without liability of any party to any other party, except as noted below, by giving the notice indicated in Section 10(c) hereof before the time the other provisions of this Agreement become effective.

(b) The Representative shall have the right to terminate this Agreement at any time prior to the Closing Date or any Option Closing Date as provided in Sections 7 and 11 hereof or if any of the following have occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development involving a prospective material adverse change in or affecting the Business Conditions of Artesian Resources, whether or not arising in the ordinary course of business, that would, in the Representative's opinion, make the offering or delivery of the Shares impracticable; (ii) any outbreak of hostilities or other national or international calamity or crisis or change in economic, political or financial market conditions if the effect on the financial markets of the United States of such outbreak, calamity, crisis or change would, in the Representative's opinion, make the offering or delivery of the Shares impracticable; (iii) any suspension or limitation of trading generally in securities on the New York Stock Exchange, the American Stock Exchange, the Nasdaq National Market or the over-the-counter market or any setting of minimum prices for trading or the promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority that in the Representative's

opinion materially and adversely affects trading on such exchange or the over-the-counter market; (iv) the enactment, publication, decree or other promulgation of any federal or state statute, regulation, rule or order of any court or other governmental authority which in the Representative's opinion materially and adversely affects or will materially or adversely affect the business or operations of Artesian Resources ; (v) declaration of a banking moratorium by the United States, New York or Pennsylvania authorities; (vi) the taking of any action by any federal, state or local government or agency in respect of its monetary or fiscal affairs that in the Representative's opinion has a material adverse effect on the securities markets in the United States; or

(vii) trading in any securities of Artesian Resources shall have been suspended or halted by NASD or the SEC.

(c) If the Representative elects to prevent this Agreement from becoming effective or to terminate this Agreement as provided in this Section 10, the Representative shall notify Artesian Resources hereof promptly by telephone, telex, telegraph, telegram or facsimile, confirmed by letter.

11. Default by an Underwriter.

(a) If any Underwriter or Underwriters shall default in its or their obligation to purchase Firm Shares or Optional Shares hereunder, and if the Firm Shares or Optional Shares with respect to which such default relates do not exceed in the aggregate 10% of the number of Firm Shares or Optional Shares, as the case may be, that all Underwriters have agreed to purchase on the relevant Closing Date or Option Closing Date, then the Representative may make arrangements satisfactory to Artesian Resources for the purchase of such Firm Shares by other persons, including any of the Underwriters, but if no such arrangements are made by the relevant Closing Date or Option Closing Date, such Firm Shares or Optional Shares to which the default relates shall be purchased severally by the non-defaulting Underwriters in proportion to their respective commitments hereunder.

(b) If such default relates to more than 10% of the Firm Shares or Optional Shares, as the case may be, the Representative may in its discretion arrange for another party or parties (including a non-defaulting Underwriter) to purchase such Firm Shares or Optional Shares to which such default relates, on the terms contained herein. In the event that the Representative does not arrange for the purchase of the Firm Shares or Optional Shares to which a default relates as provided in this Section 11, this Agreement may be terminated by the Representative or by Artesian Resources without liability on the part of the non-defaulting several Underwriters (except as provided in Section 8 hereof) or Artesian Resources (except as provided in Sections 6 and 8 hereof); provided that if such default occurs with respect to Optional Shares after the Closing Date, this Agreement will not terminate as to the Firm Shares

or any Optional Shares purchased prior to such termination. Nothing herein shall relieve a defaulting Underwriter of its liability, if any, to the other several Underwriters and to Artesian Resources for damages occasioned by its default hereunder.

(c) If the Firm Shares or Optional Shares to which the default relates are to be purchased by the non-defaulting Underwriters, or are to be purchased by another party or parties, the Representative or Artesian Resources shall have the right to postpone the Closing Date or any Option Closing Date, as the case may be, for a reasonable period but not in any event exceeding seven days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus or in any other documents and arrangements, and Artesian Resources agrees to file promptly any amendment to the Registration Statement or supplement to the Prospectus that in the opinion of counsel for the Underwriters may thereby be made necessary. The terms "Underwriters" and "Underwriter" as used in this Agreement shall include any party substituted under this Section 11 with like effect as if it had originally been a party to this Agreement with respect to such Firm Shares and/or Optional Shares.

12. Information Furnished by Underwriters. The statement set forth on the last paragraph at the bottom of the cover page of the Prospectus regarding the terms of the Offering by the Underwriters, the legends below the table of contents on page 3 of the Prospectus regarding stabilization and passive market making, the identity of the Underwriters set forth in the first paragraph under the heading "Underwriting", the concession and reallowance figures appearing in the third paragraph under the caption "Underwriting", the representations with respect to stabilization activities in the sixth paragraph under the heading "Underwriting," the seventh paragraph under the caption "Underwriting" regarding passive market making and discretionary authority in the ninth paragraph under the heading "Underwriting" constitute the only written information furnished by reference or on behalf of any Underwriter referred to in Sections 1(b) and 8 hereof.

13. Notice. All communications hereunder, except as herein otherwise specifically provided, shall be in writing and, if sent to any Underwriter, shall be mailed, delivered, telexed, telegrammed, telegraphed or telecopied and confirmed to such Underwriter, c/o Janney Montgomery Scott Inc., 1801 Market Street, Philadelphia, Pennsylvania 19103, Attention: Mr. William L. Rulon-Miller, facsimile number (215) 665-6197, with a copy to Ballard Spahr Andrews & Ingersoll, LLP, 1735 Market Street, Philadelphia, Pennsylvania 19103, Attention: Justin P. Klein, Esquire, facsimile number (215) 864-8999; and if sent to Artesian Resources, shall be mailed, delivered, telexed, telegrammed, telegraphed or telecopied and confirmed to Artesian Resources Corporation, 664 Churchmans Road, Newark, Delaware 19702, Attention: Dian C. Taylor, facsimile number (302) 453-6980, with a copy to Morgan, Lewis & Bockius LLP,

1701 Market Street, Philadelphia, PA 19103, Attention: John F. Bales, III, Esquire, facsimile number (215) 963-5299.

14. Parties. This Agreement shall inure solely to the benefit of, and shall be binding upon, the several Underwriters, Artesian Resources and the controlling persons, directors and officers thereof, and their respective successors, assigns, heirs and legal representatives, and no other person shall

have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained. The terms "successors" and "assigns" shall not include any purchaser of the Shares merely because of such purchase.

15. Definition of Business Day. For purposes of this Agreement, "business day" means any day on which the Nasdaq National Market is opened for trading.

16. Counterparts. This Agreement may be executed in one or more counterparts and all such counterparts will constitute one and the same instrument.

17. Construction. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to agreements made and performed entirely within such Commonwealth.

If the foregoing correctly sets forth your understanding of our agreement, please sign and return to Artesian Resources the enclosed duplicate hereof, whereupon it will become a binding agreement in accordance with its terms.

Very truly yours,

ARTESIAN RESOURCES CORPORATION

By:

Dian C. Taylor
President and Chief Executive Officer

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

JANNEY MONTGOMERY SCOTT INC.
As Representative of the Several Underwriters
named in Schedule I hereto

By: JANNEY MONTGOMERY SCOTT INC.

By:

Authorized Representative

SCHEDULE I

Schedule of Underwriters

Underwriter	Number of Firm Shares to be Purchased
Janney Montgomery Scott Inc.	
Total	==========

SCHEDULE II

Persons Who Are to Deliver Lock-Up Agreements

Lock-Up Agreements are to be delivered by the following persons and entities immediately prior to the time the SEC declares the Registration Statement effective:

Kenneth R. Biederman
Joseph A. DiNunzio & Gladys M. DiNunzio
John R. Eisenbrey, Jr. & Susan Eisenbrey
Bruce P. Kraeuter
David B. Spacht & Doreen A. Spacht
Dian C. Taylor
Hilda Taylor
Norman H. Taylor, Jr.
Louisa Taylor Welcher
William H. Taylor, II
John M. Thaeder & Kathleen Thaeder
William C. Wyer

EXHIBIT A
Matters to be Covered in the Opinion of
Morgan, Lewis & Bockius LLP
Counsel for Artesian Resources

1. Artesian Resources and Artesian Water have been duly organized and are validly existing as corporations in good standing under the laws of the State of Delaware with corporate power and authority to own their properties and conduct their businesses as described in the Prospectus; Artesian Resources and Artesian Water are qualified to transact business in all jurisdictions where the failure to qualify would have a material adverse effect upon the business of Artesian Resources and Artesian Water; the outstanding shares of capital stock of Artesian Water have been duly authorized and validly issued, are fully paid and non-assessable and are owned by Artesian Resources; and, to the best of such counsel's knowledge, the outstanding shares of capital stock of Artesian Water are owned by Artesian Resources free and clear of all liens, encumbrances and security interests, and to the best knowledge of such counsel, no options, warrants or other rights to purchase any shares of capital stock of Artesian Water are outstanding.

2. Artesian Resources has authorized and outstanding capital stock as set forth under the caption "Capitalization" in the Prospectus; the authorized shares of Class A Non-Voting Common Stock and Class B Voting Common Stock (together, the "Common Stock") have been duly authorized; the outstanding shares of Common Stock have been duly authorized and validly issued and are fully paid and non-assessable; all of the Firm Shares and the Optional Shares (together, the "Shares") conform to the description thereof contained in the Prospectus; certificates for the Shares are in due and proper form; the Shares to be sold by Artesian Resources pursuant to this Agreement have been duly authorized and will be validly issued, fully paid and non-assessable when issued and paid for as contemplated by this Agreement; and no preemptive rights of stockholders, by operation of law, or to the knowledge of such counsel, by contract exists with respect to any of the Shares or the issue and sale thereof.

3. The Registration Statement has become effective under the Act, and no stop order proceedings with respect thereto have been instituted or are pending or, to the best knowledge of such counsel, threatened under the Act.

4. The Registration Statement, the Preliminary Prospectus, the Prospectus and each amendment or supplement thereto and each document incorporated by reference therein, comply as to form in all material respects with the requirements of the Act and the Exchange Act, as applicable, and the applicable rules and regulations thereunder (except that

such counsel need express no opinion as to the financial statements, schedules and other financial information included or incorporated by reference therein).

5. The statements Under the caption "Description of Capital Stock" in the Prospectus, insofar as such statements constitute a summary of documents referred to therein or matters of law, are accurate summaries in all material respects and fairly present the information called for with respect to such documents and matters.

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

7. There are no material legal proceedings pending or to the best knowledge of such counsel, threatened against Artesian Resources or Artesian water except as set forth in the Prospectus.

8. This Agreement has been duly authorized, executed and delivered by Artesian Resources. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Certificate of Incorporation or Bylaws of either Artesian Resources or Artesian Water, or any agreement or instrument known to such counsel to which Artesian Resources or Artesian Water is a party or by which either of them may be bound.

9. No approval, consent, order or authorization by any regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other as may be required by the NASD or by State securities and Blue Sky laws as to which such counsel need express no opinion).

10. Artesian Resources is not an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, and the rules and regulations thereunder.

11. In addition to the matters set forth above, such opinion shall also include a statement to the effect that such counsel has participated in the preparation of the Registration Statement and the Prospectus, including review and discussion of the contents thereof, and while

such counsel (for the purposes of this Paragraph 11) in not passing upon the accuracy or completeness of the statements contained in the Registration Statement or the Prospectus, in the course of such review and discussion, no facts came to the attention of such counsel that would cause such counsel to have reason to believe that (a) the Registration Statement or any post-effective amendment thereto on the date it became effective, contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, or that (b) the Prospectus on the Effective Date, on the date it was filed pursuant to Rule 424(b) and on the Closing Date or Option Closing Date, as the case may be, contains any untrue statement of material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; except that with respect to both clause (a) and (b) above such counsel need express no opinion with respect to the financial statements, schedules and the notes thereto included in the Registration Statement or the Prospectus.

The foregoing opinion may be limited to the laws of the United States and the General Corporation Law of the State of Delaware, and with respect to Paragraph 9 above shall encompass also the laws of the State of Delaware. In rendering such opinion with respect to Paragraph 9 above, such counsel may rely as to matters governed by the laws of the State of Delaware on local counsel in such jurisdiction, provided that they believe that they and the Underwriters are justified in relying on such other counsel. Such counsel may rely as to questions of fact upon the representations of Artesian Resources set forth in this Agreement and upon certificates of officers of Artesian Resources and of government officials, all of which certificates must be satisfactory in form and scope to counsel for the Underwriters.

EXHIBIT B

Matters to be Covered in the Opinion of
Morris Nichols Arsht & Tunnell
Counsel for Artesian Resources

1. There is no further Delaware governmental approval in the nature of a franchise for service territory presently necessary in order for Artesian Water to provide service as a regulated public water utility within the territory defined by (and subject to the terms of) the Certificates of Public Convenience and Necessity which have been issued to Artesian Water by the Delaware Division

of Natural Resources and Environmental Control or by orders of the Delaware Public Service Commission.

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Philadelphia, PA 19103-2921
215-963-5000
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Morgan, Lewis
& Bockius LLP
COUNSELORS AT LAW

March 26, 1999

Artesian Resources Corporation
664 Churchmans Road
Newark, DE 19702

Ladies and Gentlemen:

We have acted as counsel to Artesian Resources Corporation, a Delaware corporation (the "Company"), in connection with the preparation of the subject registration statement on Form S-2, as amended (the "Registration Statement"), filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the registration by the Company of 460,000 shares (the "Shares") of Class A Non-Voting Common Stock, $1.00 par value per share, of the Company (the "Class A Non-Voting Common Stock"), which includes 60,000 shares purchasable by the underwriters, solely for the purpose of covering overallotments, if any.

In connection with this opinion, we have examined the Registration Statement, the draft of the Underwriting Agreement, the Company's Restated Certificate of Incorporation, as amended, the Bylaws of the Company, certain of the Company's corporate proceedings as reflected in its minute books and such other certificates and documents as we have considered necessary for the purposes of this opinion. In our examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with the originals of all documents submitted to us as copies thereof. As to facts material to an opinion, we have relied upon certificates of public officials and certificates, statements, documents and other information of the Company or representatives or officers thereof.

In our opinion the Shares will be legally issued, fully paid and non-assessable shares of Class A Non-Voting Common Stock of the Company when and to the extent issued by the Company in the manner contemplated in the Registration Statement.

We hereby consent to the filing of this opinion as Exhibit 5 to the Registration Statement and to all references to our firm under the heading "Legal Matters" in the Registration Statement. In giving such consent, we do not thereby admit that we are acting within the category of persons whose consent is required under Section 7 of the Act and the rules and regulations of the Commission thereunder.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

Consent of Independent Accountants

To the Board of Directors of
Artesian Resources Corporation and Subsidiaries:

The audits referred to in our report dated February 5, 1999, included the related financial statement schedule for the years ended December 31, 1998, 1997, and 1996, included and incorporated by reference in this registration statement. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We consent to the use of our report dated February 5, 1999, included and incorporated herein by reference and to the reference to our firm under the heading "Experts" in the prospectus.

KPMG LLP

Wilmington, Delaware
March 26, 1999