2.5 ASC 965 (plan accounting) information

All monetary amounts shown in US Dollars

Plan Year Beginning January 1, 2011	SEIU Local 32BJ	Salaried	Total
A Present Value of Benefit Obligations and Funded Status			
1 Present value of benefit obligations			
a Participants currently receiving benefits	4,122,450	4,266,046	8,388,496
b Other fully eligible participants	5,359,214	4,889,269	10,248,483
c Other participants	10,636,656	6,870,202	17,506,858
d Total	20,118,320	16,025,517	36,143,837
2 Fair Value of Assets	13,659,626	7,571,948	21,231,574
3 Effect on obligation of one-percentage-point increase in health care cost trend rate	1,059,439	791,479	1,850,918
B Reconciliation of Present Value of Benefit Obligations			
1 Postretirement Benefit Obligation			
a Amount as of January 1, 2010	16,930,345	13,840,690	30,771,035
b Benefits earned	537,915	407,889	945,804
c Benefits paid	(263,137)	(367,208)	(630,345)
d Interest	992,919	807,290	1,800,209
e Plan amendment effects	0	0	0
f Change in actuarial assumptions	1,494,367	1,167,411	2,661,778
g Actuarial (gains) losses	425,911	169,445	595,356
h Amount as of January 1, 2011	20,118,320	16,025,517	36,143,837
C Change in Plan Assets			
1 Fair value of plan assets as of January 1, 2010	12,039,853	6,981,085	19,020,938
2 Actual return on plan assets	953,970	900,031	1,854,001
3 Employer contributions	911,170	0	911,170
4 Participant contributions	17,770	42,713	60,483
5 Benefits paid	(263,137)	(351,881)	(615,018)
6 Fair value of plan assets as of January 1, 2011	13,659,626	7,571,948	21,231,574

2.6 Estimated maximum deductible employer contributions[1]

All monetary amounts shown in US Dollars

		Salaried
A	**Maximum Deductible Employer Contribution**	
1	Qualified direct costs	528,000
2	Permitted addition to qualified asset account	277,000
3	Investment income	(379,000)
4	Maximum deductible employer contribution (minimum of $0)	426,000

		SEIU Local 32BJ
A	**Maximum Deductible Employer Contribution**	
1	Expected present value of projected benefits as of December 31, 2011	21,300,000
2	Expected asset value as of December 31, 2011	14,200,000
3	Maximum deductible employer contribution (minimum of $0)	7,100,000

We recommend that the plan sponsor review with tax counsel the tax-deductibility of all contributions as Towers Watson does not provide legal or tax advice.

[1] Results estimated based on assets collected as of January 1, 2011, projected to year-end using expected investment return and expected benefit disbursements.

2.7 Detailed results for employer contributions

All monetary amounts shown in US Dollars

Liabilities and funded position as of January 1, 2011	SEIU Local 32BJ	Salaried
Gross present value of projected benefits [PVPB]	20,265,541	10,055,168
Assets		
a Market value	13,659,626	7,571,984
b Unrecognized investment losses (gains)	0	0
c Actuarial value [AV]	13,659,626	7,571,984
Funded Status		
a Unfunded actuarial accrued liability [PVPB – AV]	6,605,915	2,483,184
b AAL funded percentage [AV ÷ PVPB]	67.4%	75.3%
Key Assumptions		
Discount rate for liabilities, pre-tax	7.75%	7.75%
Assumed tax rate	N/A	33.33%
Discount rate for liabilities, after-tax	N/A	5.17%
Ultimate healthcare trend	5.00%	N/A

2.8 Expected benefit disbursements, and participant contributions

All monetary amounts shown in US Dollars

Detailed results		SEIU Local 32BJ	Salaried	Total
A	**Medical**			
1	Gross disbursements	464,565	564,615	1,029,180
2	Participant contributions	18,751	73,177	91,928
3	Net disbursements	445,814	491,438	937,252
B	**Life Insurance**			
1	Gross disbursements	38,852	0	38,852
2	Participant contributions	0	0	0
3	Net disbursements	38,852	0	38,852
C	**Total**			
1	Gross disbursements	503,417	564,615	1,068,032
2	Participant contributions	18,751	73,177	91,928
3	Net disbursements	484,666	491,438	976,104

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Section 3: Participant data

Participating Employees as of Census date January 1, 2011	SEIU Local 32BJ	Salaried	Total
Number			
a Fully eligible	54	58	112
b Other	195	139	334
c Total participating employees	249	197	446
Average age	49.3	52.3	50.6
Average credited service	19.9	18.7	19.4
Average future working life			
a to expected retirement age	12.7	10.6	11.8
b to full eligibility age	8.2	7.5	7.9

Retirees and Surviving Spouses as of Census date January 1, 2011			
Number			
a Under age 65	7	13	20
b Age 65 and over	71	76	147
c Total retirees and surviving spouses	78	89	167
Number with married/family health care coverage	48	42	90
Number with single health care coverage	30	47	77
Average age	75.8	75.5	75.6

Dependents as of Census date January 1, 2011			
Number	48	42	90
Average age	72.4	73.0	72.7

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Appendix A : Statement of actuarial assumptions and methods

Economic Assumptions

	Postretirement Welfare Cost	Plan Reporting	Employer Contributions
Discount rate:			
▸ Pre-tax	5.75 %	5.75 %	7.75 %
▸ After-tax:	N/A	N/A	5.17 %
After-tax rate of return on assets:			
▸ Salaried (non-bargained)	5.17 %	5.17 %	N/A
▸ SEIU Local 32BJ (bargained)	7.75 %	7.75 %	N/A

Participation Assumptions

Inclusion Date	The valuation date coincident with or next following the date on which the employee is hired.			
New or rehired employees	It was assumed there will be no new or rehired employees.			
Participation	*Current Retirees*	*Future Retirees*		
	Based on valuation census data	Percentages of eligible individuals electing coverage		
			Participant	*Spouse*
		Medical Pre-65:	85%	85%
		Medical Post-65:	100%	100%
		Life Insurance:	100%	N/A
Percent married	Based on valuation census data	80% of males; 80% of females		
Spouse age	Based on valuation census data	Wife three years younger than husband		

Demographic Assumptions

Mortality:

- Healthy — Separate rates for non-annuitants (based on RP-2000 "Employees" table without collar or amount adjustments, projected to 2026 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2018 using Scale AA.)
- Disabled — The disability mortality table is based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2018 using Scale AA.

Termination (not due to retirement)

Rates varying by age. Representative Termination Rates:

Percentage leaving during the year	
Age	Rate
25	0.090
40	0.040
50	0.010

Retirement

Rates at which participants are assumed to retire by age are shown below. The average retirement age is 63. Representative retirement rates:

Percentage retiring during the year	
Age	Rate
55	0.02
60	0.05
62	0.20
65	0.50
66	1.00

Trend Rates

	Postretirement Welfare Cost and Plan Reporting	Employer Contributions
Health care cost trend rate:		
▸ Medical	▸ 9% in 2011 reducing 0.5% per year over 8 years, reaching 5% in 2019 and after	▸ Same for bargaining VEBA ▸ None for non-bargained VEBA
▸ Annual Increase in AA's capped costs (pre-65)	▸ 5% in 2011 and after	▸ N/A
▸ Premium Reimbursement Account (post-65)	▸ Medical: 5% in 2011 and after ▸ Drug: 5.5% in 2011 and after	▸ N/A ▸ N/A
Participant contribution trend rates		
▸ Medical costs	▸ Same as applicable medical plan trend rate	▸ Same as applicable medical plan trend rate

Per Capita Claims Costs

Basis for Per Capita Claim Cost Assumptions

Gross per capita claim costs (i.e., cost prior to participant contributions) for pre-65 retirees were developed by age-relating average group premium rates for the insured, partially experience-rated commercial plan. The age-relating of premium is intended to recognize the expected higher health care costs each retiree contributes toward the experience of the plan which extends coverage to both early retirees and active employees. The prescription drug portion of the per capita claims cost is self-insured and is determined from group claims experience.

The average annual per capita health rates (measurement year) after adjustment for administrative expenses are shown below.

Average per capita claims cost:	Age	Amount Retiree	Dependent
▸ Overall average	< 65	$ 10,525	$ 12,702
▸ Under age 65	< 55	n/a	8,248
	55 - 59	8,986	10,845
	60 - 64	11,011	13,289
▸ Average group premiums	< 65	5,689	8,195
▸ Capped costs (DDB caps)	< 65	6,032	8,212
▸ Premium Reimbursement maximum	Medical	$ 2,250	$ 2,250
	Drug	440	440

Additional Assumptions

Administrative expenses	Included in per capita costs
Excise tax	With the concurrence of Aqua, for each plan the pre-65 and post-65 costs were aggregated and the excise cap was applied in total. Using this methodology the present value at the excise tax for all Aqua retiree medical plans is assumed to be $0
Timing of benefit payments	Benefit payments are assumed to be made uniformly throughout the year and on average at mid-year.

Methods – Employer Contributions

Census date	First day of plan year
Valuation date	First day of plan year
Normal cost and actuarial accrued liability	Aggregate cost method for Bargained; entry age normal for Nonbargained
Actuarial value of assets	Market value
Funding policy	Aqua America's funding policy is to contribute an amount no less than that required under PUC order (rate recovery amount) not to exceed the maximum tax deductible limit.
Timing of contributions	Contributions are assumed made on the last day required to meet deductibility requirements.

Methods – Postretirement Welfare Cost and Funded Position

Census date	Fiscal year-end
Measurement date	Fiscal year-end
Service cost and accumulated post-retirement benefit obligation	Costs are determined using the Projected Unit Credit Cost Method. The annual service cost is equal to the present value of the portion of the projected benefit attributable to service during the upcoming year, and the Accumulated Postretirement Benefit Obligation (APBO) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the expected full eligibility date is counted in allocating costs.
Market-related value of assets	The fair value of assets on the measurement date.
Amortization of unamortized amounts:	
▸ Transition obligation	Amortized on a straight-line bases over 20 years beginning January 1, 1993.
▸ Prior service cost (credit)	Increase in APBO resulting from a plan amendment is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefit under the plan. Amortization of net prior service cost/(credit) resulting from a plan change is

included as a component of Net Periodic Postretirement Benefit Cost/(Income) in the year first recognized and every year thereafter until such time as it is fully amortized. The annual amortization payment is determined in the first year as the increase in APBO due to the plan change divided by the average remaining service period to full eligibility for participating employees expected to receive benefits under the Plan. Reductions in APBO first reduce any unrecognized prior service cost; any remaining amount is amortized on a straight-line basis as described above.

- Net loss (gain)

Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Postretirement Benefit Cost/(Income) for a year.

Net loss (gain) in excess of 10% of the greater of APBO or the market-related value of assets is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefit under the plan.

Benefits Not Valued

All benefits described in the Plan Provisions section of this report were valued. Life insurance benefits in excess of $50,000 and health care benefits for key employees were not included in determining the maximum deductible contribution. Towers Watson is not aware of any significant benefits required to be valued that were not.

Change in Assumptions and Methods Since Prior Valuation

- The health care cost trend rate was changed from 8.0% in 2010 declining 0.5% per year to 5.0% in 2016 to 9.0% in 2011 declining 0.5% per year to 5.0% in 2019.
- The discount rate for benefit obligations was changed from 5.91% to 5.75%
- The discount rate for employer contributions was changed from 8.00% in 2010 to 7.75% in 2011.
- The expected pre-tax rate of return on assets was changed from 8.00% to 7.75%
- The mortality table was changed from RP-2000 combined healthy, no collar adjustment, projected to 2015 and phased out linearly using Scale AA to separate rates for non-annuitants (based on RP-2000 "Employees" table without collar or amount adjustments, projected to 2026 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2018 using Scale AA.

Data Sources

Aqua America, Inc. furnished participant data and claims data as of December 31, 2010. Aqua America, Inc. also provided the postretirement benefit asset, postretirement benefit liability, and amounts recognized in accumulated other comprehensive income as of the end of the 2010 fiscal year. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Appendix B : Summary of substantive plan provisions reflected in valuation

Substantive Plan Provisions

The following summary of plan provisions represents our understanding of the substantive plan.

Medical Benefits

Eligibility	Retire from active status and attain age 55 with 15 years of service. Employees hired after April 1, 2003 are not eligible for future benefits. Employee must be enrolled in medical plan the day before they retire. For participants acquired from Media, Great Valley, Hatboro Water Company, Utility Group Services, Bristol, Borough of West Chester and Bensalem Township eligibility is 5 years of service with Philadelphia Suburban Corporation and 15 years of service from original hire date.
Survivor eligibility	Spouse of employee who dies while in active status and was otherwise eligible for medical coverage from this plan
Pre-65 contributions	▸ Participant contribution is the Plan's group premium minus a percentage of the lesser of the group premium and the Capped Costs for the medical plan in which the retiree/dependent is enrolled. The Percentage is based on the combination of age + service at retirement (points) as shown below. The Percentage for all retired employees as of January 1, 1994 and those employees eligible to retire on January 1, 1994 is assumed to be 100%. ▸ Company cost is the gross medical plan per capita claim cost less applicable participant contribution.

Age + Service Points	Percentage[1] (Effective for Retirements prior to January 1, 2001)
70–79	25.0%
80–81	37.5
82–83	40.0
84–85	42.5
86–87	45.0
88–89	47.5
90+	50.0

[1] This percentage is frozen at age of retirement until the participant attains age 65, when the percentage in the "Age 65" column is applicable. It is applied to the premium reimbursement account maximum for post-65 contributions.

Age + Service Points	Percentage[1] (Effective for Retirements after December 31, 2000) Age <62	Age 62	Age 63	Age 64	Age 65
70–79	25.0%	30.0%	37.50%	45.0%	50.0%
80–81	37.5	45.0	56.25	67.5	75.0
82–83	40.0	48.0	60.00	72.0	80.0
84–85	42.5	51.0	63.75	76.5	85.0
86–87	45.0	54.0	67.50	81.0	90.0
88–89	47.5	57.0	71.25	85.5	95.0
90+	50.0	60.0	75.00	90.0	100.0

Capped costs	Retiree	Dependent
<65	$ 6,032	$ 8,212

Benefits for retirees and dependents under age 65
- PPO (insured)
- Point-of-Service (POS) (insured)

Benefits for retirees and dependents age 65 and over
- Premium Reimbursement Account (PRA) – the company will provide the retiree contributions into the PRA and the retiree and/or spouse will need to purchase their own medical and drug coverage.

Life Insurance Benefits

Eligibility: No coverage provided for salaried employees.

SEIU Local 32BJ retirees who retire after age 55 with 15 years of service.

Postretirement contributions: None

Benefits: $10,000

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Temporary Deviations

Towers Watson is not aware of any temporary deviations.

[1] This percentage is frozen at age of retirement until the participant attains age 65, when the percentage in the "Age 65" column is applicable. It is applied to the premium reimbursement account maximum for post-65 contributions.

Aqua America, Inc.
Consumers Water Company
Retiree Welfare Plan

Actuarial Valuation Report

Postretirement Welfare Cost for Fiscal Year Ending December 31, 2011 under U.S. GAAP

Estimated Employer Contributions for Plan Year Beginning January 1, 2011

September 2011

TOWERS WATSON

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Purposes of valuation

Purposes of Valuation

Aqua America, Inc. retained Towers Watson Pennsylvania Inc. ("Towers Watson"), to perform an actuarial valuation of its postretirement welfare programs for the purpose of determining the following:

(1) The value of benefit obligations as of January 1, 2011 and Aqua America, Inc.'s Postretirement welfare cost for fiscal year ending December 31, 2011 in accordance with FASB Accounting Standards Codification Topic 715 (ASC 715-60). It is anticipated that a separate report will be prepared for year-end financial reporting and disclosure purposes.

(2) Plan reporting information in accordance with FASB Accounting Standards Codification Topic 965 (ASC 965).

(3) The estimated maximum tax-deductible contribution for the tax year in which the 2011 plan year ends as allowed by the Internal Revenue Code. The maximum tax-deductible contribution should be finalized in consultation with Aqua America, Inc.'s tax advisor.

Section 1: Summary of results

Summary of Valuation Results

All monetary amounts shown in US Dollars

Fiscal Year Ending		December 31, 2011	December 31, 2010
Benefit Cost/ (Income)	Postretirement Welfare Cost/(Income)[1]	206,095	248,836
	Immediate Recognition of Benefit Cost/(Income) due to Special Events	0	0
	Total Benefit Cost/(Income)	206,095	248,836
Measurement Date		**January 1, 2011**	**January 1, 2010**
Plan Assets	Fair Value of Assets (FVA)	4,066,846	3,436,781
	Market Related Value of Assets (MRVA)	4,066,846	3,436,781
Benefit Obligations	Accumulated Postretirement Benefit Obligation (APBO)	5,564,223	5,376,390
Funded Status	Funded Status	(1,497,377)	(1,939,609)
Accumulated Other Comprehensive (Income)/Loss (AOCI)	Net Prior Service Cost/(Credit)	0	0
	Net Loss/(Gain)	(499,039)	(353,177)
	Transition Obligation/(Asset)	207,642	311,366
	Total AOCI	(291,397)	(41,811)
Assumptions	Discount Rate	5.75 %	5.91 %
	Expected Rate of Return on Plan Assets	7.13 %	7.36 %
	Rate of Compensation/Salary Increase	4.00 %	4.00 %
	Current Health Care Cost Trend Rate	9.00 %	8.00 %
	Ultimate Health Care Cost Trend Rate	5.00 %	5.00 %
	Year of Ultimate Trend Rate	2019	2016
Census Date		January 1, 2011	January 1, 2010
Plan reporting (ASC 965) for Plan Year Beginning		**January 1, 2011**	**January 1, 2010**
	Present value of accumulated benefits	5,564,223	5,376,390
	Market value of assets	4,066,846	3,436,781
	Plan reporting discount rate	5.75 %	5.91 %
Employer Contributions (net of Medicare subsidy)		**Plan Year 2011**	**Plan Year 2010**
Cash Flow	Estimated Maximum Tax Deductible contributions	1,811,000[2]	1,956,000[3]
	Expected benefit payments and expenses, net of participant contributions	254,207	252,551

1 Excludes effects of any settlements, curtailments, special termination benefits, capitalized cost adjustments and regulatory assets or liabilities (if applicable)

2 Estimated based on January 1, 2011 assets projected to year-end using expected investment return and expected benefit disbursements.

3 Estimated based on January 1, 2010 assets projected to year-end using expected investment return and expected benefit disbursements.

Employer Contributions

Employer contributions are the amounts paid by Aqua America, Inc. to provide for postretirement benefits, net of participant contributions. Participants receiving benefits are required to contribute toward the cost of the plan.

Aqua America, Inc.'s funding policy is to contribute an amount equal to the postretirement welfare cost not to exceed the maximum tax-deductible limit. Aqua America, Inc. may deviate from this policy, as permitted by its terms, based on cash, tax or other considerations.

Postretirement Welfare Cost and Funded Position

The cost of the postretirement welfare plan is determined in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP"). The Fiscal 2011 postretirement welfare benefit cost for the plan is $206,095.

Under U.S. GAAP, the funded position (fair value of plan assets less the projected benefit obligation, or "APBO") of each postretirement welfare plan at the plan sponsor's fiscal year-end (measurement date) is required to be reported as a liability. The APBO is the actuarial present value of benefits attributed to service rendered prior to the measurement date, taking into consideration expected future pay increases for pay-related plans. The plan's overfunded (underfunded) APBO as of January 1, 2011 was $(1,497,377), based on the fair value of plan assets of $4,066,846 and the APBO of $5,564,223.

Fiscal year-end financial reporting information and disclosures are prepared before detailed participant data and full valuation results are available. Therefore, the postretirement benefit asset (liability) at December 31, 2010 was derived from a roll forward of the January 1, 2010 valuation results, adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population. The next fiscal year financial reporting information will be developed based on the results of the January 1, 2011 valuation, projected to the end of the year and similarly adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population.

Basis for Valuation

Appendix A summarizes the assumptions and methods used in the valuation. Appendix B summarizes our understanding of the principal provisions of the plan being valued, including changes since the prior plan year.

Actuarial certification

This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

Reliances

In preparing the results presented in this report, we have relied upon information regarding plan provisions, participants, claims data, contributions and assets (if any) provided by Aqua America, Inc. and other persons or organizations designated by Aqua America, Inc. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. Based on discussions with and concurrence by the plan sponsor, assumptions or estimates may have been made if data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations. We have relied on all the information provided as complete and accurate. The results presented in this report are dependent upon the accuracy and completeness of the underlying data and information. Any material inaccuracy in the data and information provided to us may have produced results that are not suitable for the purposes of this report and such inaccuracies, as corrected by Aqua America, Inc., may produce materially different results that could require that a revised report be issued.

Assumptions and Methods under the Internal Revenue Code for Contribution Limit Purposes

The actuarial assumptions and methods employed in the development of the contribution limits have been selected by the plan sponsor, with the concurrence of Towers Watson. The Internal Revenue Code requires the use of reasonable assumptions (taking into account the experience of the plan and reasonable expectations) which, in combination, offer the actuary's best estimate of anticipated experience under the plan. We believe that the assumptions used in our valuation are reasonable and appropriate for the purposes for which they have been used.

Assumptions and Methods under ASC 715-60

The actuarial assumptions and methods employed in the development of the Postretirement welfare cost have been selected by the plan sponsor, with the concurrence of Towers Watson. ASC 715-60 requires that each significant assumption "individually represent the best estimate of a particular future event".

Accumulated other comprehensive (income)/loss amounts shown in the report are shown prior to adjustment for deferred taxes. Any deferred tax effects in AOCI should be determined in consultation with Aqua America, Inc.'s tax advisors and auditors.

Effects of Health Care Reform

In March 2010, the Patient Protection and Affordable Care Act (PPACA) and Health Care and Education Reconciliation Act (HCERA) were enacted. Based on information provided by Aqua, the key aspects of the Acts affecting Aqua America, Inc.'s benefit obligation and cost of providing retiree medical benefits are:

- Elimination of lifetime maximums in 2011
- Preventive care benefits covered at 100% beginning in 2011
- Mandatory coverage for adult children until age 26 beginning in 2011

A 1% increase was applied to the year-end 2010 benefit obligation for the retiree medical plans to account for the impact of these provisions of the Act on the Aqua retiree medical plans.

The PPACA also requires companies to assess the impact of the excise tax ("Cadillac tax") on high-cost plans starting in 2018 and, if material, reflect the impact in their year-end financial statements. With the concurrence of Aqua, for each plan the pre-65 and post-65 costs were aggregated and the excise cap was applied in total. Using this methodology, the present value of the excise tax for all Aqua retiree medical plans is effectively $0.

This valuation reflects our understanding of the relevant provisions of PPACA and HCERA. The IRS has yet to issue final guidance with respect to many aspects of this law. It is possible that future guidance may conflict with our understanding of these laws based on currently available guidance and could therefore affect the results shown in this report.

Nature of Actuarial Calculations

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Towers Watson, we consider reasonable and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable and within the best-estimate range. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The results shown in this report are estimates based on data that may be imperfect and on assumptions about future events that cannot be predicted with certainty. The effects of certain plan provisions may be approximated, or determined to be insignificant and therefore not valued. Assumptions may be made, in consultation with Aqua America, Inc., about participant data or other factors. Reasonable efforts were made in preparing this valuation to confirm that items that are significant in the context of the actuarial liabilities or costs are treated appropriately, and are not excluded or included inappropriately. The numbers shown in this report are not rounded. This is for convenience only and should not imply precision; by their nature, actuarial calculations are not precise.

If overall future plan experience produces higher benefit payments or lower investment returns than assumed, the relative level of plan costs or contribution requirements reported in this valuation will likely increase in future valuations (and vice versa). Future actuarial measurements may differ significantly from the current measurements presented in this report due to many factors, including: plan experience differing from that anticipated by the economic or demographic assumptions; increases or reductions expected as part of the natural operation of the methodology used for the measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. It is beyond the scope of this valuation to analyze the potential range of future postretirement welfare contributions, but we can do so upon request.

See Basis for Valuation in Section 1 above for a discussion of any material events that have occurred after the valuation date that are not reflected in this valuation.

Limitations on Use

This report is provided subject to the terms set out herein and in our engagement letter dated December 20, 2010 and any accompanying or referenced terms and conditions.

The information contained in this report was prepared for the internal use of Aqua America, Inc. and its auditors in connection with our actuarial valuation of the postretirement welfare plan as described in Purposes of Valuation above. It is not intended for and may not be used for other purposes, and we accept no responsibility or liability in this regard. Aqua America, Inc. may distribute this actuarial valuation report to the appropriate authorities who have the legal right to require Aqua America, Inc. to provide them this report, in which case Aqua America, Inc. will use best efforts to notify Towers Watson in advance of this distribution, and will include the non-reliance notice included at the end of this report. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent. In the absence of such consent and an express assumption of responsibility, we accept no responsibility whatsoever for any consequences arising from any third party relying on this report or any advice relating to its contents. There are no intended third-party beneficiaries of this report or the work underlying it.

Professional Qualifications

The undersigned consulting actuaries are members of the Society of Actuaries and meet the "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to postretirement welfare plans. Our objectivity is not impaired by any relationship between Aqua America, Inc. and our employer, Towers Watson Pennsylvania Inc.

Kevin J Halfpenny

Kevin J. Halfpenny, FSA, EA
Senior Consulting Actuary

K. Ausiello

Kristin A. Ausiello, ASA, EA
Consulting Actuary

Amy Dorff

Amy Dorff, FSA
Consulting Actuary

Towers Watson Pennsylvania Inc.

September 2011

Section 2: Actuarial exhibits

2.1 Balance sheet asset / (liability)

All monetary amounts shown in US Dollars

Measurement Date		January 1, 2011	January 1, 2010
A	**Development of Balance Sheet Asset/(Liability)**		
1	Accumulated postretirement benefit obligation (APBO)	5,564,223	5,376,390
2	Fair value of assets (FVA)	4,066,846	3,436,781
3	Net balance sheet asset/(liability)	(1,497,377)	(1,939,609)
B	**Current and Noncurrent Allocation**		
1	Noncurrent assets	0	0
2	Current liabilities	0	0
3	Noncurrent liabilities	(1,497,377)	(1,939,609)
4	Net balance sheet asset/(liability)	(1,497,377)	(1,939,609)
C	**Accumulated Other Comprehensive (Income)/Loss**		
1	Net prior service cost/(credit)	0	0
2	Net loss/(gain)	(499,039)	(353,177)
3	Transition obligation/(asset)	207,642	311,366
4	Accumulated other comprehensive (income)/loss[1]	(291,397)	(41,811)
D	**Assumptions**		
1	Discount rate	5.75%	5.91%
2	Rate of compensation/salary increase	4.00%	4.00%
3	Current health care cost trend rate	9.00%	8.00%
4	Ultimate health care cost trend rate	5.00%	5.00%
5	Year of ultimate trend rate	2019	2016
E	**Census date**	January 1, 2011	January 1, 2010

[1] Amount shown is pre-tax and should be adjusted by plan sponsor for tax effects.

2.2 Summary and comparison of postretirement benefit cost

All monetary amounts shown in US Dollars

Fiscal Year Ending		December 31, 2011	December 31, 2010
A	**Total Postretirement Benefit Cost**		
1	Service cost	66,850	74,158
2	Interest cost	316,581	314,772
3	Expected return on assets	(281,060)	(243,818)
4	Net prior service cost/(credit) amortization	0	0
5	Net loss/(gain) amortization	0	0
6	Transition obligation/(asset)	103,724	103,724
7	Net periodic postretirement benefit cost/(income)[1]	206,095	248,836
B	**Assumptions**[2]		
1	Discount rate	5.75%	5.91%
2	Long-term rate of return on assets	7.13%	7.36%
3	Rate of compensation/salary increase	4.00%	4.00%
4	Current health care cost trend rate	9.00%	8.00%
5	Ultimate health care cost trend rate	5.00%	5.00%
6	Year ultimate trend rate is expected	2019	2016
C	**Census Date**	January 1, 2011	January 1, 2010
D	**Assets at Beginning of Year**		
1	Fair market value	4,066,846	3,436,781
2	Market-related value	4,066,846	3,436,781

1 Excludes effects of any settlements, curtailments, special termination benefits, capitalized cost adjustments and regulatory assets or liabilities (if applicable).

2 These assumptions were used to calculate the Net Postretirement Benefit Cost/ (Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable. For assumptions used for interim measurement periods, if any, refer to Appendix A.

2.3 Development of assets for postretirement welfare cost and employer contributions

All monetary amounts shown in US Dollars

		Fair Value and Market-Related Value
A	**Reconciliation of Assets**	
1	Plan assets at January 1, 2010	3,436,781
2	Investment return, net of taxes	352,219
3	Employer contributions	439,662
4	Plan participants' contributions	95,111
5	Benefits paid	(256,927)
6	Administrative expenses paid	0
7	Transfers from (to) other plans	0
8	Acquisitions	0
9	Divestitures	0
10	Settlements	0
11	Plan assets at January 1, 2011	4,066,846
12	Rate of return	10.5%

2.4 Detailed results for postretirement welfare cost and funded position

All monetary amounts shown in US Dollars

Detailed results			January 1, 2011	January 1, 2010
A	**Service Cost**			
	1	Medical	54,577	60,256
	2	Life Insurance	12,273	13,902
	3	Total	66,850	74,158
B	**Accumulated Postretirement Benefit Obligation [APBO]**			
	1	Medical:		
		a Participants currently receiving benefits	1,220,321	1,273,996
		b Fully eligible active participants	1,582,546	1,297,197
		c Other participants	1,422,293	1,440,489
		d Total	4,225,160	4,011,682
	2	Life Insurance:		
		a Participants currently receiving benefits	745,746	779,810
		b Fully eligible active participants	348,301	316,022
		c Other participants	245,016	268,876
		d Total	1,339,063	1,364,708
	3	All Benefits:		
		a Participants currently receiving benefits	1,966,067	2,053,806
		b Fully eligible active participants	1,930,847	1,613,219
		c Other participants	1,667,309	1,709,365
		d Total	5,564,223	5,376,390
C	**Assets**			
	1	Fair value [FV]	4,066,846	3,436,781
	2	Investment losses (gains) not yet in market-related value	0	0
	3	Market-related value	4,066,846	3,436,781
D	**Funded Position**			
	1	Overfunded (underfunded) APBO	(1,497,377)	(1,939,609)
	2	APBO funded percentage	73.1%	63.9%
E	**Amounts in Accumulated Other Comprehensive Income**			
	1	Prior service cost (credit)	0	0
	2	Net actuarial loss (gain)	(499,039)	(353,177)
	3	Transition obligation/(asset)	207,642	311,366
	4	Total	(291,397)	(41,811)

Detailed results				January 1, 2011	January 1, 2010
F	**Effect of Change in Health Care Cost Trend Rate**				
	1	One-percentage-point increase:			
		a	Sum of service cost and interest cost	9,465	15,941
		b	APBO	115,766	190,596
	2	One-percentage-point decrease:			
		a	Sum of service cost and interest cost	(8,361)	(13,599)
		b	APBO	(103,003)	(163,736)

2.5 ASC 965 (plan accounting) Information

All monetary amounts shown in US Dollars

Plan Year Beginning				January 1, 2011
A	**Present Value of Benefit Obligations and Funded Status**			
	1	Present value of benefit obligations		
		a	Participants currently receiving benefits	1,966,067
		b	Other fully eligible participants	1,930,847
		c	Other participants	1,667,309
		d	Total	5,564,223
	2	Fair value of assets		4,066,846
	3	Effect on obligation of one-percentage-point increase in health care cost trend rate		115,766
B	**Changes in Benefit Obligations**			
	1	Postretirement Benefit Obligation		
		a	Amount as of January 1, 2010	5,376,390
		b	Benefits earned	74,158
		c	Benefits paid	(258,747)
		d	Interest	310,208
		e	Plan amendment effects	0
		f	Change in actuarial assumptions	219,495
		g	Actuarial (gains) losses	(157,281)
		h	Amount as of January 1, 2011	5,564,223
C	**Change in Plan Assets**			
	1	Fair value of plan assets as of January 1, 2010		3,436,781
	2	Actual return on plan assets		352,219
	3	Employer contributions		439,662
	4	Participant contributions		95,111
	5	Benefits paid		(256,927)
	6	Fair value of plan assets as of January 1, 2011		4,066,846

2.6 Estimated maximum deductible employer contributions[1]

All monetary amounts shown in US Dollars

VEBA – Non-Union		Health	Life	Total
A	**Maximum Deductible Employer Contribution**			
1	Qualified direct costs	74,000	36,000	110,000
2	Permitted addition to qualified asset account	187,000	0	187,000
3	Investment income	(50,000)	(36,000)	(86,000)
4	Maximum deductible employer contribution (minimum of $0)	211,000	0	211,000

VEBA – Union Health and Life		
A	**Maximum Deductible Employer Contribution**	
1	Expected present value of projected benefits as of December 31, 2011	3,900,000
2	Expected asset value as of December 31, 2011	2,300,000
3	Maximum deductible employer contribution (minimum of $0)	1,600,000

We recommend that the plan sponsor review with tax counsel the tax-deductibility of all contributions as Towers Watson does not provide legal or tax advice.

1 Results estimated based on assets collected as of January 1, 2011, projected to year-end using expected investment return and expected benefit disbursements.

2.7 Detailed results for employer contributions – VEBA

All monetary amounts shown in US Dollars

			Union Health and Life	Non-Union Health	Non-Union Life	Total
A	**Liabilities and Funded Position as of January 1, 2011**					
	1	Gross Present value of projected benefits [PVPB]	3,835,702	2,144,255	688,284	6,668,241
	2	Assets[1]				
		a Market value	2,225,976	1,002,286	838,584	4,066,846
		b Unrecognized investment losses (gains)	0	0	0	0
		c Actuarial value [AV]	2,225,976	1,002,286	838,584	4,066,846
	3	Funded Position				
		a Unfunded actuarial accrued liability [PVPB – AV]	1,609,726	1,141,969	(150,300)	2,601,395
		b AAL funded percentage [AV ÷ PVPB]	58.0%	46.7%	121.8%	61.0%
B	**Key Economic Assumptions**					
	1	Discount rate for liabilities, pre-tax	7.75%	7.75%	7.75%	
	2	Assumed tax rate	N/A	33.33%	N/A	
	3	Discount rate for liabilities, after tax	7.75%	5.17%	7.75%	
	4	Salary increase rate	4.00%	N/A	4.00%	
	5	Ultimate healthcare trend	5.00%	N/A	N/A	

1 Estimated allocation between VEBA trusts was provided by Aqua America, Inc.

2.8 Expected benefit disbursements

All monetary amounts shown in US Dollars

	Union Health and Life	Non-Union Health and Life	Total
Medical	155,988	43,401	199,389
Life	18,602	36,216	54,818
Total	174,590	79,617	254,207

Section 3: Participant data

All monetary amounts shown in US Dollars

Census Date	January 1, 2011	January 1, 2010
A Participating Employees		
1 Number		
a Fully eligible	100	94
b Other	141	164
c Total participating employees	241	258
2 Average age	53.5	52.8
3 Average credited service	23.5	22.7
4 Average future working life		
a to expected retirement age	8.578	9.077
b to full eligibility age	6.699	6.849
B Retirees and Surviving Spouses		
1 Retirees and surviving spouses		
a Number under 65	21	21
b Number 65 and older	132	135
c Total	153	156
d Number with married/family health care coverage	13	12
e Number with single health care coverage	140	144
f Average age	74.1	73.6
C Dependents		
1 Number	13	12
2 Average age	62.2	63.9

Appendix A: Statement of actuarial assumptions and methods

Economic Assumptions

	Postretirement Welfare Cost	Plan Reporting	Employer Contributions
Discount rate:			
▸ Pre-tax	5.75%	5.75%	7.75%
▸ Post-tax	N/A	N/A	5.17%
Rate of return on assets:			
▸ Rate of return on VEBA assets, pre-tax[1]	7.75%	N/A	N/A
▸ Assumed tax rate on VEBA investment income[2]	33.33%	N/A	N/A
▸ Rate of return on VEBA assets, post-tax	5.17%	N/A	N/A
▸ Weighted average rate of return on VEBA assets	7.13%	N/A	N/A
Annual rates of compensation increase	4.00%	4.00%	4.00%

Participation Assumptions

Inclusion Date	The valuation date coincident with or next following the date on which the employee is hired.	
New or rehired employees	It was assumed there will be no new or rehired employees.	
	Current Retirees	*Future Retirees*
Participation:	Based on valuation census data	Percentages of eligible individuals electing coverage ▸ Pre-65 Medical: 85% ▸ Post-65 Medical: 100% ▸ Life Insurance: 100%
Percent married	Based on valuation census data	80.0% of males; 80.0% of females
Spouse age	Actual age, if reported. Otherwise, wives are assumed to be three years younger than husbands.	

1 Applies to assets invested in union medical and life VEBAs and non-union life VEBA.

2 Applies to assets invested in non-union medical VEBA.

Demographic Assumptions

Mortality

Healthy	Separate rates for non-annuitants (based on RP-2000 "Employees" table without collar or amount adjustments, projected to 2026 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2018 using Scale AA.)
Disabled	The disability mortality table is based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2018 using Scale AA.
Termination (not due to retirement)	Rates varying by age. Representative Termination Rates:

Percentage leaving during the year

Age	Rate
25	0.080
40	0.045
50	0.020

Retirement

Rates at which participants are assumed to retire by age are shown below. The average retirement age is 62

Percentage retiring during the year

Age	Rate
55	0.05
60	0.01
62	0.25
65	0.50
66	1.00

Trend Rates

	Postretirement Welfare Cost and Plan Reporting	Employer Contributions
Health care cost trend rate:		
▸ Medical and Dental	▸ 9.00% in 2011 reducing 0.50% per year for 8 years, reaching 5% in 2019 and after	▸ For bargained benefits: 9.00% in 2011 reducing 0.50% per year for 8 years, reaching 5% in 2019 and after ▸ For non-bargained benefits: None
▸ Prescription drug	▸ 5.50% per year	▸ For bargained benefits: 5.50% per year ▸ For non-bargained benefits: None

- The company's defined contribution toward medical plan premiums for retirees of all groups are assumed to be fixed.

Per Capita Claims Costs

Basis for Per Capita Claim Cost Assumptions

For many groups, the employer contribution toward coverage is a fixed dollar amount. For other groups, the employer obligation is based on the cost of health plan coverage:

- Pre-65 per capita claims costs for the insured medical portion of the PPO plan option are developed by age-relating average group premium rates for the insured, partially experience-rated PPO plan. The age-relating of premium is intended to recognize the expected higher health care costs each retiree contributes toward the experience of the plan which extends coverage to both early retirees and active employees; the prescription drug portion of the per capita claims cost is self-insured and is determined from group claims experience.
- Post-65 retirees receive company contributions into a Premium Reimbursement Account.
- Dental per capita costs (if applicable) are based on the insured premium for the group.

Certain current retirees have negotiated premium contributions that differ from the current general plan structure.

The average annual per capita health rates (measurement year) after adjustment for administrative expenses are shown below.

	Under Age 65	Age 65 and Over
Non-Union	840[1]	840[1]
Union		
▸ Shenango Valley	14,651[2]	1,320[2]
▸ Roaring Creek	14,651[2]	840[1]
▸ Ohio	14,651[2]	383[2]
▸ Kankakee	1,080[1]	1,080[1]
▸ Susquehanna	840[1]	840[1]
▸ SeaCliff (Grandfathered group only)	3,780	1,500

1 Defined contribution toward retiree medical plan costs.
2 The assumed average gross (i.e., before participant contributions) medical plan per capita costs.

Additional Assumptions

Administrative expenses	Included in per capita claim costs
Excise tax	With the concurrence of Aqua, for each plan the pre-65 and post-65 costs were aggregated and the excise cap was applied in total. Using this methodology, the present value of the excise tax for all Aqua retiree medical plans is assumed to be $0.
Timing of benefit payments	Benefit payments are assumed to be made uniformly throughout the year and on average at mid-year

Methods – Employer Contributions

Census date	First day of plan year
Valuation date	First day of plan year
Normal cost and actuarial accrued liability	Aggregate cost method
Actuarial value of assets	Market value
Funding policy	Aqua America, Inc.'s funding policy is to contribute an amount equal to the postretirement welfare cost, not to exceed the maximum tax-deductible limit. The sponsor may deviate from this policy, as permitted by its terms, based on cash, tax or other considerations.
Timing of contributions	Contributions are assumed made on the last day required to meet deductibility requirements

Methods – Postretirement Welfare Cost and Funded Position

Census date	Fiscal year-end
Measurement date	Fiscal year-end
Service cost and accumulated post-retirement benefit obligation	Costs are determined using the Projected Unit Credit Cost Method. The annual service cost is equal to the present value of the portion of the projected benefit attributable to service during the upcoming year, and the Accumulated Postretirement Benefit Obligation (APBO) is equal to the present value of the portion of the projected benefit attributable to service before the valuation date. Service from hire date through the expected full eligibility date is counted in allocating costs.
Market-related value of assets	The fair value of assets on the measurement date.
Amortization of unamortized amounts:	
Transition obligation	Amortized on a straight-line basis of 20 years beginning January 1, 1993
▸ Prior service cost (credit)	Increase in APBO resulting from a plan amendment is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefit under the plan. Amortization of net prior service cost/(credit) resulting from a plan change is included as a component of Net Periodic Postretirement Benefit Cost/(Income) in the year first recognized and every year thereafter until such time as it is fully amortized. The annual amortization payment is determined in the first year as the increase in APBO due to the plan change divided by the average remaining service period to full eligibility for participating employees expected to receive benefits under the Plan. Reductions in APBO first reduce any unrecognized transition obligation, then any unrecognized prior service cost; any remaining amount is amortized on a straight-line basis as described above.
▸ Net loss (gain)	Amortization of the net gain or loss resulting from experience different from that assumed and from changes in assumptions (excluding asset gains and losses not yet reflected in market-related value) is included as a component of Net Periodic Postretirement Benefit Cost/(Income) for a year. Net loss (gain) in excess of 10% of the greater of APBO or the market-related value of assets is amortized on a straight-line basis over the average expected remaining service of active participants expected to benefit under the plan.
Benefits Not Valued	All benefits described in the Plan Provisions section of this report were valued. Life insurance benefits in excess of $50,000 and health care benefits for key employees were not included in determining the maximum deductible contribution. Towers Watson is not aware of any significant benefits required to be valued that were not.

Change in Assumptions and Methods Since Prior Valuation

- The health care cost trend rate was changed from 8.0% in 2010 declining 0.5% per year to 5.0% in 2016 to 9.0% in 2011 declining 0.5% per year to 5.0% in 2019.
- The discount rate for benefit obligations was changed from 5.91% in 2010 to 5.75% in 2011.
- The discount rate for employer contributions was changed from 8.00% in 2010 to 7.75% in 2011.
- The pre-tax expected rate of return on assets was changed from 8.00% in 2010 to 7.75% in 2011.
- The mortality table was changed from RP-2000 combined healthy, no collar adjustment, projected to 2015 and phased out linearly using Scale AA to separate rates for non-annuitants (based on RP-2000 "Employees" table without collar or amount adjustments, projected to 2026 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2018 using Scale AA.

Data Sources

Aqua America, Inc. furnished participant data and claims data as of December 31, 2010. Aqua America, Inc. also provided the postretirement benefit asset, postretirement benefit liability, and amounts recognized in accumulated other comprehensive income as of the end of the 2010 fiscal year. Data were reviewed for reasonableness and consistency, but no audit was performed. Based on discussions with the plan sponsor, assumptions or estimates were made when data were not available, and the data was adjusted to reflect any significant events that occurred between the date the data was collected and the measurement date. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Appendix B: Summary of substantive plan provisions reflected in valuation

Substantive Plan Provisions

The following summary of plan provisions represents our understanding of the substantive plan.

Medical and Dental Benefits

Eligibility	Nonunion participants: For medical benefits, retirement after age 55 with 20 years of service or attaining age 62 with five years of service or age plus service greater than or equal to 95. Nonunion participants are not eligible for dental benefits. Union participants: Retirement eligibility as set-forth in the collective bargaining agreement Employees hired on or after April 1, 2003 are not eligible for future benefits
Dependent eligibility	Spouse and unmarried children under age 19 or a full-time student under age 26.
Survivor eligibility	Dependent coverage continues upon death of the retiree, however, in most instances continued coverage requires the survivor to contribute 100% of the group premium rate. See below for specific details by group.
Postretirement contributions	Amount of group insurance premium that exceeds company payment.
Benefits	Pre-65 medical plan is a partially self-insured national PPO plan administered by Blue Cross Blue Shield, with carve-out prescription drug benefit administered by Medco. Post-65 retirees receive company contributions in the form of a Premium Reimbursement Account.

AQUA AMERICA
2011 CWC Retiree Welfare Program

		NONUNION	UNION					
		All	Shenango Valley	Roaring Creek (PA) Retire 1/1/95+	Ohio	Kankakee, IL Retire	Susquehanna	Nonunion Sea Cliff Grandfathered Only
Retiree under 65	Retiree	Company pays $70/month	Company pays full premium (medical and dental) IF employee retires at or above age 60	Company pays full premium for those who retire after 1995 IF employee retires at or above age 60; pre-1995 retirees did not receive retiree medical	For retiree prior to age 62 company pays 45% of full retiree and spouse premium if retiree attains 95 points, otherwise company pays 25% of premiums. At age 62 company pays full premium (in effect at time of retirement) for retiree and spouse, with annual increases paid by the retiree	Company pays $90.02/month	Company pays $70/month	For retiree only coverage the company pays $315 per month, for any other tier of coverage, the company pays $630 per month.
	Spouse	Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)		Spousal coverage is available at 100% of the group rate (access only)	Spousal coverage is available at 100% of the group rate (access only)	
Retiree over 65	Retiree	Company pays $70/month	Equal to the Highmark Security Blue Standard Plan increased each year up to a max of $110.00. 2008 rate - $74.00	Company pays $70/month; pre-1995 retirees did not receive retiree medical	Company pays $31.94/month	Company pays $90.02/month	Company pays $70/month	For retiree only coverage the company provides a subsidy of $125 per month, for any other tier of coverage, the company provides $250 per month.
	Spouse	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	Spouse is permitted to use the subsidy	
Dental Coverage		None	Yes	None	Yes	None	None	None

Life Insurance Benefits

Eligibility	Nonunion participants: Retired prior to January 1, 2005
	Union participants: Retirement eligibility as set-forth in the collective bargaining agreement
	Employees hired on or after April 1, 2003 are not eligible for future benefits
Benefits	Ohio nonunion retired prior to January 1, 2005: 25% of salary at the time of retirement subject to a maximum of $25,000 and a minimum of $5,000
	Ohio nonunion retired on or after January 1, 2005: None
	Ohio union retired between October 1, 1980 to September 1, 1995: $3,000
	Ohio union retired between September 2, 1995 to March 31, 2011: $5,000
	Ohio union retired on or after April 1, 2011: $7,500

Future Plan Changes

No future plan changes were recognized in determining postretirement welfare cost or in determining employer funding policy contributions or maximum tax-deductible contributions.

Changes in Benefits Valued Since Prior Year

There have been no changes in benefits valued since the prior year.

Temporary Deviations

Towers Watson is not aware of any temporary deviations.

Aqua America, Inc.

Retirement Income Plan for Aqua America, Inc. and Subsidiaries

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Actuarial Valuation Report

Pension Cost for Fiscal Year Ending December 31, 2010

Employer Contributions for Plan Year Beginning January 1, 2010

August 2010

TOWERS WATSON

Table of Contents

Management Summary of Valuation Results

Financial Results

This report summarizes financial results for the Retirement Income Plan for Aqua America, Inc. and Subsidiaries based on actuarial valuations as of January 1, 2010 and January 1, 2009.

ASC 715-30 Pension Cost	**Fiscal 2010**	**Fiscal 2009**
Amount	$ 9,150,850	$ 11,183,160
Funded Position	**January 1, 2010**	**January 1, 2009**
Accumulated benefit obligation [ABO]	$ 170,946,657	$ 159,002,546
Projected benefit obligation [PBO]	193,667,460	180,783,604
Fair value of assets [FV]	127,982,893	102,723,157
Overfunded (underfunded) PBO [FV – PBO]	(65,684,567)	(78,060,447)
PBO funded percentage [FV ÷ PBO]	66.1%	56.8%
Employer Contributions	**Plan Year 2010**	**Plan Year 2009**
Minimum funding requirement	$ 9,814,735	$ 4,084,727
Remaining cash requirement (assuming sponsor elects full use of available credit balance)	0	0
Maximum deductible contribution*	120,011,569	88,436,581
ERISA Funded Position	**January 1, 2010**	**January 1, 2009**
Funding target [FT]	$ 159,772,974	$ 128,741,184
Actuarial value of assets [AVA]	144,157,286	124,074,545
Net actuarial value of assets [NAVA]**	127,820,907	109,275,201
Funding shortfall/(excess assets) [FT – NAVA]	31,952,067	19,465,983
Actuarial value of assets as a percentage of funding target	90.2%	96.4%
Funding target attainment percentage [NAVA ÷ FT]	80.0%	84.9%
Adjusted funding target attainment percentage for benefit limitations [AFTAP]	80.0%	96.4%

* Estimated amount, pending issuance of Treasury/IRS guidance.

** Net actuarial value of assets is equal to the actuarial value of assets less the plan's total credit balance.

Pension Cost and Funded Position

The cost of the pension plan is determined in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP"). The Fiscal 2010 pension cost prior to any capitalized cost adjustments for the plan is $9,150,850, or 18.0% of covered pay, excluding amounts recognized for settlements and/or curtailments.

Under U.S. GAAP, the funded position (fair value of plan assets less the projected benefit obligation, or "PBO") of each pension plan at fiscal year-end is required to be reported as an asset (for overfunded plans) or a liability (for underfunded plans). The PBO is the actuarial present value of benefits attributed to service rendered prior to the measurement date, measured using expected future pay increases for pay-related plans. The plan's underfunded PBO as of January 1, 2010 was $65,684,567, based on the fair value of plan assets of $127,982,893 and the PBO of $193,667,460.

Fiscal year-end financial reporting and disclosures are prepared before detailed participant data and the full valuation results are available. Therefore, the postretirement benefit asset (liability) at December 31, 2009 was derived from the January 1, 2009 valuation results. The fiscal year-end December 31, 2010 financial reporting information will be developed based on the results of the January 1, 2010 valuation, rolled forward to the end of 2010 and adjusted for the year-end discount rate and asset values, as well as significant changes in plan provisions and participant population.

Change in Pension Cost and Funded Position

The pension cost decreased from $11,183,160 in fiscal 2009 to $9,150,850 in fiscal 2010 and the underfunded PBO improved from $78,060,447 on January 1, 2009 to $65,684,567 on January 1, 2010, as set forth below:

	Pension Cost	Funded Position
Prior year	$ 11,183,160	$ (78,060,447)
Change due to:		
▸ Expected based on prior valuation	$ (720,513)	$ 7,181,942
▸ Noninvestment experience	105,868	(248,563)
▸ Asset experience	(2,043,993)	10,927,554
▸ Assumption changes	521,992	(4,999,131)
▸ Plan amendments	104,336	(485,922)
Current year	$ 9,150,850	$ (65,684,567)

History of Pension Cost

The following table shows the history of the plan's pension cost.

History of Pension Cost

	- - - - - - - -Pension cost - - - - - - -		
Fiscal year	*Amount*	*Percent of covered pay*	*Discount rate*
2010	$ 9,150,850	18.0%	5.91%
2009	11,183,160	22.4	6.11
2008	4,143,589	8.3	6.25
2007	4,927,918	9.6	5.90
2006	6,643,898	12.2	5.65

Pension cost excludes amounts recognized for settlements and/or curtailments and are shown prior to any capitalized cost adjustments.

Employer Contributions and ERISA Funded Position

Under the Pension Protection Act of 2006 (PPA), the funded position is measured by comparing the actuarial value of assets, reduced by the plan's credit balance, with the funding target. The amount by which the funding target exceeds the net actuarial value of assets is the plan's funding shortfall. If the net actuarial value of assets exceeds the funding target, the difference is the plan's excess assets. The actuarial value of assets is an average of the fair market value over a three year period, adjusted for contributions, disbursements and expected earnings. The funding target is the present value of benefits accrued or earned as of the valuation date. The target normal cost is the present value of benefits expected to be earned during the plan year. Plans that do not meet certain funded status criteria are considered to be at-risk and are required to use specific actuarial assumptions, and in some cases additional loads, that will generally increase the funding target and target normal cost. The plan is not at-risk for 2010.

The plan's funding shortfall is $31,952,067 as of January 1, 2010. The plan's actuarial value of assets, including the credit balance, is 90.2% of the funding target as of January 1, 2010. This percentage is based on an actuarial value of assets of $144,157,286 and a funding target of $159,772,974.

The minimum funding requirement under the PPA is generally equal to the target normal cost plus amortization of the plan's funding shortfall and any funding waivers. For overfunded plans, the minimum funding requirement is reduced by the amount of the plan's excess assets. The minimum funding requirement for 2010 is $9,814,735 as of January 1, 2010 (plus interest to the date of payments).

Plan sponsors that have in the past contributed more than the minimum may have a credit balance. Sponsors can elect to apply the plan's credit balance to offset the minimum funding requirement if certain other requirements are met. If Aqua America elects to fully apply its available credit balance, the remaining cash requirement is $0.

The maximum deductible contribution under the PPA is generally equal to 150% of the funding target, plus the target normal cost, plus an allowance for future pay or benefit increases, less the actuarial value of assets. For plans that are not at-risk, the deductible limit will not be less than the unfunded funding target plus the target normal cost, both determined as if the plan were at-risk. For all plans, the deductible limit will not be less than the minimum funding requirement. Pending issuance of Treasury/IRS guidance, the estimated maximum deductible contribution for the plan is $120,011,569.

History of Employer Contributions and ERISA Funded Position

The following table shows the history of employer contributions and the funding range for 2010, as well as the ERISA funded position.

History of Employer Contributions and ERISA Funded Position and Current Year's Funding Range

	----- *Employer contributions* -----			
Year	*Amount*	*Percent of covered pay*	*AVA as a % of funding target**	*Effective interest rate**
2010:				
▸ Minimum**	$ 0	0%	90.2%	6.66%
▸ Maximum***	120,011,569	245.6		
2009	14,139,748	26.8	96.4	8.11
2008	10,266,461	20.4	93.7	6.11
2007	10,549,873	20.6	89.4	5.78
2006	7,300,000	13.4	93.1	5.77

* Results prior to 2008 are based on the plan's current liability.

** Remaining cash requirement assuming sponsor elects full use of available credit balance.

*** Estimated amount, pending issuance of Treasury/IRS guidance.

Timing of Contributions

The minimum required contribution for the 2010 plan year is determined as of the plan's valuation date, and must be partially satisfied in quarterly installments, with a final payment due on or before September 15, 2011. These requirements may be satisfied through contributions and/or an election to apply available credit balance. The required quarterly contributions for 2010 equal 25% of the minimum required contribution for 2009, or 22.5% (25% of 90%) of the minimum required contribution for 2010, whichever produces a smaller required quarterly contribution. Any payment made on a date other than the valuation date is adjusted for interest using the plan's effective interest rate.

The minimum funding schedule, before reflecting any credit balance elections, is shown below:

April 15, 2010	$ 1,021,182
July 15, 2010	1,021,182
October 15, 2010	1,021,182
January 15, 2011	1,021,182
September 15, 2011	6,584,494

Benefit Limitations

Under the PPA, a plan may become subject to various benefit limitations if its funded status falls below certain thresholds. Plan amendments that increase benefits are prohibited if the effect of the amendment would be to reduce the adjusted funding target attainment percentage (AFTAP) below 80%. Benefit accruals must cease and shutdown benefits are prohibited if the AFTAP falls below 60%. To avoid these benefit limitations, a plan sponsor may either contribute certain additional amounts for the current plan year or provide security outside the plan.

Plans are prohibited from paying lump sums or other accelerated forms of distribution if the AFTAP is below 60%, and only reduced amounts are allowed to be paid if the AFTAP is between 60% and 80%. This limitation does not apply to mandatory lump sum cash-outs of $5,000 or less.

The AFTAP for 2010 is 80.0% as of January 1, 2010.

PBGC Reporting Requirements

Certain financial and actuarial information (i.e., a "4010 filing") is required to be provided to the PBGC if the funding target attainment percentage (FTAP) is less than 80% for any plan in the contributing sponsor's controlled group. However, this reporting requirement may be waived for controlled groups with no more than $15 million in aggregate plan underfunding. A filing may also be required if there are outstanding funding waivers or missed contributions within the controlled group.

The FTAP for 2010 is 80.0% as of January 1, 2010.

Basis for Valuation

Economic Assumptions

The discount rate for pension cost purposes is the rate at which the pension obligations could be effectively settled. This rate is developed from yields on available high-quality bonds and reflects the plan's expected cash flows.

The assumed rate of return on assets and salary increase rate assumptions both reflect long-term expectations. The assumed rate of return on assets for pension cost purposes is the weighted average of expected asset returns. The salary increase rate is based on current expectations of future pay increases. The assumptions selected by Aqua for pension cost purposes are:

	January 1, 2010	January 1, 2009
Discount rate	5.91%	6.11%
Rate of return on assets	8.00%	8.00%
Salary increase rate (Corporate/SEIU Local 32BJ/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%

Assumptions used to determine statutory contribution limits must be reasonable taking into account the experience of the plan and reasonable expectations. However, certain assumptions (such as interest and mortality) are either prescribed by the IRS or are subject to IRS approval. The interest rates used to determine the funding target and target normal cost are based on a high-quality corporate bond yield curve. The assumptions for contribution purposes are:

	January 1, 2010	January 1, 2009
Effective interest rate	6.66%	8.11%
Salary increase rate (Corporate/SEIU Local 32BJ/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%

Demographic Assumptions

The cost of providing plan benefits takes into consideration demographic factors such as rates of retirement, mortality, and turnover. Demographic assumptions used in accounting and ERISA funding valuations are summarized in the Supplemental Information section.

Changes in Assumptions

For pension cost purposes the discount rate was changed from 6.11% as of January 1, 2009 to 5.91% as of January 1, 2010.

For contribution purposes the following assumptions were changed:

- The funding interest rate was changed from the October 2008 full corporate bond yield curve to the 24-month average segmented interest rates as of September 2009.
- The required mortality table used to calculate the funding target and target normal cost was updated to include one additional year of projected mortality improvements.
- Assumed plan related administrative expenses were changed to better reflect anticipated future experience

Methods

Methods used in the accounting and ERISA funding valuations are summarized in the Supplemental Information section.

Changes in Methods

There were no changes in methods since the prior valuation.

Benefits Valued

Benefits valued are described in the Supplemental Information section. Benefits valued may be different for accounting, plan reporting and ERISA funding purposes.

Changes in Benefits Valued

For ERISA calculations and pension cost calculations, the minimum monthly benefit level for SEIU Local 32BJ employees was increased from $58.00 to $59.75 (effective January 1, 2010) and from $59.75 to $61.50 (effective January 1, 2011).

For plan reporting purposes, the minimum monthly benefit level for SEIU Local 32BJ employees was increased from $57.00 to $58.00 (effective January 1, 2009) and from $58.00 to $59.75 (effective January 1, 2010).

There have been no other changes in the benefits valued since the prior valuation.

Actuarial Certification, Reliances and Distribution

Aqua America, Inc. retained Towers Watson Pennsylvania Inc., a Towers Watson company ("Towers Watson") to perform valuations of its pension plans for the purpose of determining (1) the value of benefit obligations and its pension cost in accordance with ASC 715-30 (formerly FAS 87) and (2) the minimum required and maximum tax-deductible contributions in accordance with ERISA and allowed by the Internal Revenue code. These valuations have been conducted in accordance with generally accepted actuarial principles and practices.

The consulting actuaries are members of the Society of Actuaries and other professional actuarial organizations and meet their "Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States" relating to pension plans.

In preparing the results presented in this report, we have relied upon information provided to us regarding plan provisions, plan participants, and plan assets. We have reviewed this information for overall reasonableness and consistency, but have neither audited nor independently verified this information. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information.

The actuarial assumptions and the accounting policies and methods employed in the development of the pension cost have been selected by the plan sponsor, with the concurrence of Towers Watson. ASC 715-30-35 requires that each significant assumption "individually represent the best estimate of a particular future event."

To the extent not prescribed by ERISA, the Internal Revenue Code, and regulatory guidance from the Treasury and the IRS, the funding methods (including asset valuation method, choice among prescribed interest rates, and choice among prescribed mortality tables) employed in the development of the contribution limits have been selected by the plan sponsor, with the concurrence of Towers Watson. To the extent not prescribed by ERISA, the Internal Revenue Code, and regulatory guidance from the Treasury and the IRS, the actuarial assumptions employed in the development of the contribution limits have been selected by Towers Watson, with the concurrence of the plan sponsor. Other than prescribed assumptions, ERISA and the Internal Revenue Code require the use of assumptions each of which is "reasonable (taking into account the experience of the plan and reasonable expectations), and which, in combination, offer the actuary's best estimate of anticipated experience under the plan."

The results shown in this report have been developed based on actuarial assumptions that, to the extent evaluated or selected by Towers Watson are considered reasonable by us, and within the "best-estimate range" as described by the Actuarial Standards of Practice. Other actuarial assumptions could also be considered to be reasonable and within the best-estimate range. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The information contained in this report was prepared for the internal use of Aqua America, Inc. and its auditors in connection with our actuarial valuations of the pension plan. It is neither intended nor necessarily suitable for other purposes. Aqua America, Inc. may also distribute this actuarial valuation report to the appropriate authorities who have the legal right to require Aqua America, Inc. to provide them this report, in which case Aqua America, Inc. will use best efforts to notify Towers Watson in advance of this distribution. Further distribution to, or use by, other parties of all or part of this report is expressly prohibited without Towers Watson's prior written consent.

Kevin J. Halfpenny

Kevin J. Halfpenny, FSA, EA

K. Ausiello

Kristin A. Ausiello, ASA

Towers Watson
August 2010

Supplemental Information

Asset Values

Asset Values for Calculating Pension Cost and Funded Position

Fair value (excludes contributions receivable):	
▸ As of January 1, 2009	$ 102,723,157
▸ Contributions	13,386,488
▸ Disbursements to participants	(7,632,616)
▸ Administrative expenses	(980,661)
▸ Investment return	20,486,525
▸ As of January 1, 2010	$ 127,982,893
▸ Rate of return	19.2%
Market-related value:	
▸ As of January 1, 2009	$ 102,723,157
▸ As of January 1, 2010	127,982,893
▸ Rate of return	19.2%

Asset Values for Calculating Employer Contributions

Market value (including discounted contributions receivable):	
▸ As of January 1, 2009	$ 112,795,041
▸ Contributions for current plan year	3,120,027
▸ Contributions receivable ($11,019,721 without discounts)	10,755,837
▸ Disbursements to participants	(7,632,616)
▸ Administrative expenses	(980,661)
▸ Investment return	20,681,102
▸ As of January 1, 2010	$ 138,738,730
▸ Rate of return	18.8%
Actuarial value:	
▸ As of January 1, 2009	$ 124,074,545
▸ As of January 1, 2010	144,157,286

Basic Results for Pension Cost and Funded Position

	Fiscal 2010	Fiscal 2009
Service Cost	$ 3,933,687	$ 3,743,539
Obligations	**January 1, 2010**	**January 1, 2009**
Accumulated benefit obligation [ABO]:		
▸ Participants currently receiving benefits	$ 73,048,607	$ 72,171,638
▸ Deferred inactive participants	17,340,212	16,712,086
▸ Active participants	80,557,838	70,118,822
Total ABO	$ 170,946,657	$ 159,002,546
Obligation due to future salary increases	22,720,803	21,781,058
Projected benefit obligation [PBO]	$ 193,667,460	$ 180,783,604
Assets		
Fair value [FV]	$ 127,982,893	$ 102,723,157
Unamortized investment losses (gains)	0	0
Market-related value	$ 127,982,893	$ 102,723,157
Funded Position		
Overfunded (underfunded) PBO [FV – PBO]	$ (65,684,567)	$ (78,060,447)
PBO funded percentage [FV ÷ PBO]	66.1%	56.8%
Amounts Not Yet Recognized in Net Periodic Cost		
Transition obligation (asset)	$ 0	$ (181,842)
Prior service cost (credit)	2,962,588	2,835,162
Net actuarial loss (gain)	58,396,474	68,878,294
Total	$ 61,359,062	$ 71,531,614
Key Economic Assumptions		
Discount rate	5.91%	6.11%
Rate of return on assets	8.00%	8.00%
Salary increase rate (Corporate/SEIU Local 32BJ/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%

The results above may differ from the amounts disclosed in Aqua America, Inc.'s 2009 financial statements because disclosures are prepared before the corresponding valuation results are available.

ASC 715-30 Pension Cost

	Fiscal 2010	Fiscal 2009
ASC 715-30 Pension Cost		
Service cost	$ 3,933,687	$ 3,743,539
Interest cost	11,444,247	11,039,317
Expected return on assets	(10,521,377)	(8,578,310)
Amortization:		
▸ Transition obligation (asset)	0	(181,842)
▸ Prior service cost (credit)	396,387	358,496
▸ Net actuarial loss (gain)	3,897,906	4,801,960
Pension cost	$ 9,150,850	$ 11,183,160
Percent of covered pay	18.0%	22.4%
Per active participant	$ 12,998	$ 15,532

Pension cost excludes amounts recognized for settlements and/or curtailments and are shown prior to any capitalized cost adjustments.

Present Value of Accumulated Plan Benefits for Plan Reporting

	January 1, 2010	January 1, 2009
Actuarial Present Value of Accumulated Plan Benefits		
Vested benefits:		
▸ Participants currently receiving benefits	$ 63,086,966	$ 63,168,478
▸ Other participants	67,564,214	60,871,811
▸ Total vested benefits	$ 130,651,180	$ 124,040,289
Nonvested benefits	4,057,819	4,081,820
Total accumulated benefits	$ 134,708,999	$ 128,122,109
Market value of assets*	139,002,614	112,989,618
Key Assumptions		
Interest rate	8.00%	8.00%
Average retirement age	63	63
Mortality	RP-2000 with 15 year projection	RP-2000 with 15 year projection

Change in Actuarial Present Value of Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits as of January 1, 2009	$ 128,122,109
Change from 2009 to 2010:	
▸ Additional benefits accumulated (including the effect of noninvestment experience)	3,812,282
▸ Interest due to decrease in the discount period	9,950,337
▸ Benefits paid	(7,632,616)
▸ Assumption changes	0
▸ Plan amendments**	456,887
Actuarial present value of accumulated plan benefits as of January 1, 2010	$ 134,708,999

* Includes actual contributions receivable of $10,266,461 as of January 1, 2009 and expected contributions receivable of $11,019,721 as of January 1, 2010. Receivable contributions are not discounted for plan reporting purposes.

** The minimum monthly benefit level for SEIU Local 32BJ employees was increased from $57.00 to $59.75.

Basic Results for Minimum Required Employer Contribution

	January 1, 2010	January 1, 2009
Normal Cost and Liabilities		
Target normal cost	$ 5,512,997	$ 4,084,727
Funding target:		
▸ Participants currently receiving benefits	$ 70,889,385	$ 62,565,173
▸ Deferred inactive participants	15,493,204	12,482,315
▸ Active participants	73,390,385	53,693,696
Total funding target [FT]	$ 159,772,974	$ 128,741,184
Assets		
Market value	$ 138,738,730	$ 112,795,041
Unrecognized investment losses (gains)	5,418,556	11,279,504
Actuarial value [AVA]	$ 144,157,286	$ 124,074,545
Credit Balance		
Funding standard carryover balance [FSCB]	$ 9,919,328	$ 9,414,557
Prefunding balance [PFB]	6,417,051	5,384,787
Total credit balance [TCB]	$ 16,336,379	$ 14,799,344
ERISA Funded Position		
Net actuarial value of assets [NAVA] [AVA – TCB]	$ 127,820,907	$ 109,275,201
Funding shortfall/(excess assets) [FT – NAVA]	31,952,067	19,465,983
Funding target attainment percentage [NAVA ÷ FT]	80.0%	84.9%
Assets, including credit balance, as a percentage of funding target [AVA ÷ FT]	90.2%	96.4%
Key Economic Assumptions		
Effective interest rate	6.66%	8.11%
Salary increase rate (Corporate/SEIU Local 32BJ/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%

Minimum Required Employer Contribution

	January 1, 2010	January 1, 2009
Minimum Required Employer Contribution		
Target normal cost	$ 5,512,997	$ 4,084,727
Net shortfall amortization charge	4,301,738	0
Waiver amortization charge	0	0
Excess assets	0	0
Minimum funding requirement	$ 9,814,735	$ 4,084,727
Available credit balance	16,336,379	14,799,344
Remaining cash requirement (assuming sponsor elects full use of available credit balance)	0	0

Additional details regarding the calculation of the minimum required employer contribution may be obtained from the Form 5500 Schedule SB filings and attachments.

Quarterly contribution requirements for the 2010 plan year will not exceed $1,021,182 per payment, based on this year's valuation results.

Quarterly contribution requirements for the 2011 plan year will not exceed $2,453,685 per payment, based on this year's valuation results.

Schedule of Minimum Funding Requirements

April 15, 2010	$ 1,021,182
July 15, 2010	1,021,182
October 15, 2010	1,021,182
January 15, 2011	1,021,182
September 15, 2011	6,584,494

Basic Results for Maximum Deductible Employer Contribution

	January 1, 2010	January 1, 2009
Target Normal Cost		
Normal cost	$ 5,512,997	$ 4,084,727
Target normal cost as if at-risk (for plans not at-risk)*	N/A	N/A
Liabilities		
Funding target	$ 159,772,974	$ 128,741,184
Funding target reflecting future pay/benefit increases	178,769,371	144,055,807
Funding target as if at-risk (for plans not at-risk)*	N/A	N/A
Assets		
Market value	$ 138,738,730	$ 112,795,041
Unrecognized investment losses (gains)	5,418,556	11,279,504
Actuarial value	$ 144,157,286	$ 124,074,545
Key Economic Assumptions		
Effective interest rate	6.66%	8.11%
Salary increase rate (Corporate/SEIU Local 32BJ/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%

* At-risk liabilities were not valued, but would only serve to increase the maximum deductible contribution.

Maximum Deductible Employer Contribution

	January 1, 2010	January 1, 2009
Basic Funding Limit		
Funding target	$ 159,772,974	$ 128,741,184
Target normal cost	5,512,997	4,084,727
Statutory cushion amount	98,882,884	79,685,215
Basic funding limit	$ 264,168,855	$ 212,511,126
At-Risk Funding Limit*		
Funding target as if at-risk	N/A	N/A
Target normal cost as if at-risk	N/A	N/A
At-risk funding limit (for plans not at-risk)	N/A	N/A
Maximum Deductible Employer Contribution		
Maximum funding limit	$ 264,168,855	$ 212,511,126
Actuarial value of assets	144,157,286	124,074,545
Preliminary maximum contribution	$ 120,011,569	$ 88,436,581
Minimum funding requirement	9,814,735	4,084,727
Maximum deductible contribution**	120,011,569	88,436,581

* At-risk liabilities were not valued, but would only serve to increase the maximum deductible contribution.

** Estimated amount, pending issuance of Treasury/IRS guidance

Funded Status for Benefit Limitations

	January 1, 2010	January 1, 2009
Basic Results		
Funding target disregarding at-risk provisions	$ 159,772,974	$ 128,741,184
Actuarial value of assets	144,157,286	124,074,545
Credit balance	16,336,379	14,799,344
Annuity purchases for non-highly compensated employees during preceding two plan years	0	0
Funded Status		
Actuarial value of assets as a percentage of funding target	90.2%	96.4%
Funding target attainment percentage [FTAP]	80.0%	84.9%
Adjusted funding target attainment percentage [AFTAP]	80.0%	96.4%
Key Economic Assumptions		
Effective interest rate	6.66%	8.11%
Salary increase rate (Corporate/SEIU Local 32BJ/CWC)	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%

Actuarial Assumptions and Methods

	Pension Cost	Contributions
Economic Assumptions		
Discount rate	5.91%	N/A
Return on assets	8.00%	N/A
Funding interest rate basis:		
▸ Applicable month	N/A	September
▸ Yield curve basis	N/A	Segment rates
Interest rates:		
▸ First segment rate	N/A	5.03%
▸ Second segment rate	N/A	6.73%
▸ Third segment rate	N/A	6.82%
▸ Effective interest rate	N/A	6.66%
Annual rates of increase		
▸ Salaries:		
– Corporate/SEIU Local 328BJ/CWC	4.50%/4.00%/4.00%	4.50%/4.00%/4.00%
▸ Future Social Security wage bases	4.50%	4.50%
▸ Statutory limits on compensation and benefits	3.00%	3.00%

Demographic and Other Assumptions

Mortality for pension cost and plan reporting	RP-2000 combined healthy, no collar adjustment, projected to 2015 and phased out linearly using scale AA.
Mortality for contributions	Separate rates for non-annuitants (based on RP-2000 "Employees" table without collar adjustments, projected to 2025 using Scale AA) and annuitants (based on RP-2000 "Healthy Annuitants" table without collar or amount adjustments, projected to 2017 using Scale AA).

Termination

Rates varying by age

Sample rates for Corporate and SEIU Local 32BJ employees

Age	*Rate*
25	.09
40	.04
50	.01

Sample rates for CWC employees

Age	*Rate*
25	.08
40	.045
55	.01

Disability

For SEIU Local 32BJ employees only. Rates varying by age and sex

Sample rates

Age	*Male*	*Female*
30	.001	.002
45	.002	.003
60	.014	.021

Disability mortality

For SEIU Local 32BJ employees, 1994 RRB male ultimate for pension cost and plan reporting purposes. Same mortality table as healthy table for contribution purposes.

Retirement

Rates varying by age

Sample rates for Corporate and SEIU Local 32BJ employees

Age	*Rate*
55 – 59	.02
60 – 62	.05
62	.20
63 – 64	.15
65	.50
66+	1.00

Sample rates for CWC

Age	*Rate*
55 – 59	.05
60 – 62	.10
62	.25
63 – 64	.15
65	.50
66+	1.00

Form of payment	Life annuity for single participants and 40% of married participants; 50% contingent annuitant option for 60% of married participants.
Percent married:	
▸ Corporate/SEIU Local 32BJ employees	80%
▸ CWC employees	85%
Spouse age	Wife three years younger than husband
Covered pay:	
▸ Corporate and SEIU Local 32BJ employees	W-2 earnings increased by the salary increase assumption of 4.50% for Corporate employees and 4.00% for SEIU Local 32BJ employees
▸ CWC employees	Rate of pay as of the valuation date
Administrative expense:	
▸ Pension cost	Return on asset assumption is net of any expenses paid by the trust.
▸ Contributions	$700,000
Cash flows for pension cost purposes:	
▸ Amount and timing of contributions	Contributions reflect actual amounts already made and expected to be made throughout remainder of the year, as provided by Aqua America.
▸ Timing of benefit payments	Annuity payments are payable monthly

Methods

Pension cost:	
▸ Measurement date	Fiscal year-end
▸ Service cost and projected benefit obligation	Projected unit credit
▸ Market-related value of assets	Fair value of assets on the measurement date
▸ Amortization of unrecognized amounts:	
– Transition obligation (asset)	Transition obligation (asset) at the initial adoption of FAS 87 is amortized on a straight-line basis.

– Prior service cost (credit)	Increase in PBO resulting from a plan amendment is amortized on a straight-line basis over the expected average remaining service of active participants expected to benefit under the plan. Decrease in PBO first reduces any unrecognized prior service cost; any remaining amount is amortized on a straight-line basis as described above.
– Net loss (gain)	Net loss (gain) in excess of 10% of the greater of PBO or the market-related value of assets is amortized on a straight-line basis over the expected average remaining service of active participants expected to benefit under the plan.

Contributions:

▸ Valuation date	First day of plan year
▸ Funding target	Present value of accrued benefits
▸ Target normal cost	Present value of benefits expected to accrue during the plan year plus plan-related expenses expected to be paid from plan assets during the plan year.
▸ Actuarial value of assets	Average of the fair market value of assets on the valuation date and the two immediately preceding valuation dates, adjusted for contributions, benefits, administrative expenses and expected earnings (with such expected earnings limited as described in IRS Notice 2009-22). The average asset value must be within 10% of fair value, including contributions receivable. The method of computing the actuarial value of assets complies with rules governing the calculation of such values under the Pension Protection Act of 2006 (PPA). These rules produce smoothed values that reflect the underlying market value of plan assets but fluctuate less than the market value. As a result, the actuarial value of assets will be lower than the market value in some years and greater in other years. However, over the long term under PPA's smoothing rules, the method has a significant bias to produce an actuarial value of assets that is below the market value of assets.

Benefits Not Valued	All benefits described in the Plan Provisions section of this report were valued. Towers Watson has reviewed the plan provisions with Aqua America and, based on that review, is not aware of any significant benefits required to be valued that were not.

Change in Assumptions and Methods Since Prior Valuation

Pension cost	The discount rate for benefit obligations was changed from 6.11% to 5.91%.

Contributions	The funding interest rate was changed from the October 2008 full corporate bond yield curve to the 24-month average segmented interest rates as of September 2009. The required mortality table used to calculate the funding target and the target normal cost was updated to include an additional year of projected mortality improvements. Assumed plan related administrative expenses were changed to better reflect anticipated future experience.

Data Sources

Towers Watson used asset data supplied by the trustee. Aqua America, Inc., furnished participant data. Aqua America, Inc. furnished the dates and amounts of the 2009 contributions that will be paid in 2010. Data were reviewed for reasonableness and consistency, but no audit was performed. Assumptions or estimates were made by the Towers Watson actuaries at the direction of Aqua America when data were not available. We are not aware of any errors or omissions in the data that would have a significant effect on the results of our calculations.

Participant Data

	January 1, 2010	January 1, 2009
Active		
Number	704	720
Average age	51.2	50.2
Average past service	20.1	19.3
Average future service	10.0	10.6
Covered pay:		
▸ Total	$ 50,735,279	$ 50,023,721
▸ Average	72,067	69,477
Deferred Inactive		
Number	447	450
Average age	52.5	51.9
Annual benefits:		
▸ Total	$ 3,119,177	$ 3,182,258
▸ Average	6,978	7,072
Currently Receiving Benefits		
Number	624	620
Average age	73.6	73.2
Annual benefits:		
▸ Total	$ 7,717,008	$ 7,639,604
▸ Average	12,367	12,322
Total Participants Included in Valuation		
Number	1,775	1,790

Analysis of Inactive Participant Data

Deferred Inactive

Age last birthday	*Number*	*Annual benefit*	*Average annual benefit*
< 40	19	$ 83,297	$ 4,384
40 – 49	140	851,786	6,084
50 – 54	104	892,960	8,586
55 – 59	103	772,564	7,501
60 – 64	65	453,292	6,974
> 64	16	65,278	4,080
Total	447	$ 3,119,177	$ 6,978

Currently Receiving Benefits

Age last birthday	*Number*	*Annual benefit*	*Average annual benefit*
< 55	5	$ 49,405	$ 9,881
55 – 59	26	481,491	18,519
60 – 64	66	1,321,310	20,020
65 – 69	119	1,408,059	11,832
70 – 74	124	1,461,696	11,788
75 – 79	117	1,419,558	12,133
> 79	167	1,575,489	9,434
Total	624	$ 7,717,008	$ 12,367

Age Nearest Birthday		Completed Years of Service								
		0 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	Over 34	Total
15 to 24	Count	0	0	0	0	0	0	0	0	0
	Total Earnings	0	0	0	0	0	0	0	0	0
	Average Earnings	0	0	0	0	0	0	0	0	0
25 to 29	Count	0	3	0	0	0	0	0	0	3
	Total Earnings	0	175,559	0	0	0	0	0	0	175,559
	Average Earnings	0	58,520	0	0	0	0	0	0	58,520
30 to 34	Count	0	19	9	0	0	0	0	0	28
	Total Earnings	0	1,222,167	625,347	0	0	0	0	0	1,847,514
	Average Earnings	0	64,325	69,483	0	0	0	0	0	65,983
35 to 39	Count	0	14	21	5	0	0	0	0	40
	Total Earnings	0	933,732	1,390,378	364,005	0	0	0	0	2,688,116
	Average Earnings	0	66,695	66,208	72,801	0	0	0	0	67,203
40 to 44	Count	0	22	12	22	16	0	0	0	72
	Total Earnings	0	1,505,605	851,583	1,432,048	1,063,462	0	0	0	4,852,698
	Average Earnings	0	68,437	70,965	65,093	66,466	0	0	0	67,399
45 to 49	Count	4	21	24	17	47	15	5	0	133
	Total Earnings	394,619	1,480,595	1,631,946	1,348,454	3,585,028	1,125,447	311,521	0	9,877,610
	Average Earnings	98,655	70,505	67,998	79,321	76,277	75,030	62,304	0	74,268
50 to 54	Count	1	18	21	24	36	37	24	2	163
	Total Earnings	100,613	1,252,601	1,490,299	1,778,620	2,598,709	2,836,395	1,527,911	173,938	11,759,086
	Average Earnings	100,613	69,589	70,967	74,109	72,186	76,659	63,663	86,969	72,142
55 to 59	Count	1	14	21	15	24	26	27	28	156
	Total Earnings	110,408	833,575	1,632,673	1,064,934	1,557,699	2,138,165	1,763,728	1,866,214	10,967,396
	Average Earnings	110,408	59,541	77,746	70,996	64,904	82,237	65,323	66,651	70,304
60 to 64	Count	1	4	13	9	10	10	14	17	78
	Total Earnings	117,583	227,573	1,395,611	765,921	682,321	986,475	886,748	1,336,823	6,399,055
	Average Earnings	117,583	56,893	107,355	85,102	68,232	98,648	63,339	78,637	82,039
65 to 69	Count	1	3	6	3	5	2	2	4	26
	Total Earnings	90,072	159,631	490,106	195,996	300,630	117,835	172,054	298,934	1,825,257
	Average Earnings	90,072	53,210	81,684	65,332	60,126	58,917	86,027	74,733	70,202
Over 69	Count	0	1	1	1	0	0	0	2	5
	Total Earnings	0	127,098	23,146	36,110	0	0	0	156,633	342,988
	Average Earnings	0	127,098	23,146	36,110	0	0	0	78,317	68,598
Total	Count	8	119	128	96	138	90	72	53	704
	Total Earnings	813,294	7,918,137	9,531,089	6,986,089	9,787,848	7,204,318	4,661,962	3,832,543	50,735,279
	Average Earnings	101,662	66,539	74,462	72,772	70,926	80,048	64,749	72,312	72,067

Average Age: 51.2 Average Service: 20.1

Reconciliation of Participant Data

	Active	*Deferred inactive*	*Currently receiving benefits*	*Total*
Included in January 1, 2009 valuation	720	450	620	1,790
Change due to:				
▸ New hire and rehire	0	0	0	0
▸ Nonvested termination	0	0	0	0
▸ Vested termination	(10)	10	0	0
▸ Retirement	(5)	(11)	16	0
▸ Disability	0	0	0	0
▸ Death without beneficiary	(1)	(1)	(13)	(15)
▸ Death with beneficiary	(1)	0	1	0
▸ New beneficiary	0	0	0	0
▸ Cashout	0	0	0	0
▸ Prior omission	0	0	0	0
▸ Miscellaneous	1	(1)	0	0
▸ Net change	(16)	(3)	4	(15)
Included in January 1, 2010 valuation	704	447	624	1,775

Plan Provisions — Part A for Philadelphia Suburban Corporation and Subsidiaries Employees

1. Effective Date of Plan: This plan was created by the merger of the Retirement Plan for Employees of Philadelphia Suburban Corporation into the Retirement Income Plan for Salaried Employees of Philadelphia Suburban Water Company. The provisions of the latter plan, with an original effective date of January 1, 1944, remain essentially unchanged. The plan was amended and restated effective January 1, 2008.

   (a) Eligibility for Participation: Participants in the plan on December 31, 1995 continue as participants in this plan. All other Eligible Class Employees become participants on the earlier of (i) or (ii):

      (i) the January 1 on or following completion of six months of continuous employment.

      (ii) the January 1 nearest the completion of one Year of Service.

   This plan is closed to new entrants who were hired or rehired on or after April 1, 2003.

2. Definitions:

   (a) Computation Period: Calendar year.

   (b) Eligible Class Employee: Any salaried or hourly paid employee not includable in a class of employees entitled to participate in another defined benefit pension plan of the Company or employed in a category that the Company has designated as ineligible for participation. Employees covered by a collective bargaining agreement are not covered under this plan.

   (c) Year of Service: One year is earned for each Computation Period during which 1,000 hours or more are credited.

   — Vesting: Except as noted below, Year of Service for vesting purposes from original date of hire.

Acquired Group	Date Vesting Credit Begins
Uwchlan	January 1, 1993
Great Valley Water Company	January 1, 1995
Media Water Company	Original date of hire
Hatboro Water Company	Original date of hire
Utilities Group Services, Inc.	Original date of hire
Bristol	Original date of hire
Borough of West Chester	Original date of hire
Bensalem Township	Original date of hire

— Benefit Accrual: Except as noted below, Year of Service for benefit accrual purpose from date of hire.

Acquired Group	Date Benefit Accrual Credit Begins
Uwchlan	January 1, 1993
Great Valley Water Company	January 1, 1995
Media Water Company	January 1, 1995
Hatboro Water Company	November 1, 1996
Utilities Group Services, Inc.	November 1, 1996
Bristol	January 1, 1997
Borough of West Chester	January 1, 1998
Bensalem Township	January 1, 2000
NYWS Salaried Participants	January 1, 2009

(d) Applicable Compensation: Total earnings of an employee, paid during the Computation Period, that are subject to withholding of federal income taxes, excluding values of fringe benefits and income resulting from exercising of stock options, sale of stock, stock appreciation rights and deferred or contingent compensation arrangements.

(e) Average Applicable Compensation: The annual average of the Applicable Compensation during the five consecutive Computation Periods of the final 10 Computation Periods as an active participant yielding the highest such average.

(f) Covered Compensation: The average of the Social Security wage bases in effect during the 35 years ending with the year the participant attains Social Security Retirement Age. Covered Compensation is calculated as though the participant attains Social Security Retirement Age in year of termination.

3. Normal Retirement Benefit:

(a) Eligibility: The first day of the month coincident with or next following attainment of age 65 and five Years of Service.

(b) Prospective Benefit: The sum of (i) and (ii), minimum the greater of (iii), (iv) or (v):

(i) 1.35% of Average Applicable Compensation up to Covered Compensation plus 1.8% of the excess; the sum multiplied by Years of Service to a maximum of 25.

(ii) 0.5% of Average Applicable Compensation multiplied by Years of Service in excess of 25.