

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

- RR1. Provide capitalization and capitalization ratios for the last five-year period and projected through the next two years. (With short-term debt and without short-term debt.) for the Company, Parent and consolidated system.
- a. Provide year-end interest coverages before and after taxes for the last three years and at latest date, including Indenture and SEC Bases, for the Company, Parent and consolidated system.
 - b. Provide year-end preferred stock dividend coverages for the last three years and at latest date, including Charter and SEC bases.
- A. Please see attached Schedule RR1(a) that shows the capitalization and capitalization ratios for the last five-year period (2006-2010) with short-term debt and without short-term debt for the Company, Parent and consolidated system. The forecast for the Company for 2011 and the six months ended June 30, 2012 is also attached. The next two year period, 2012 and 2013, is not available for the Company, Parent and consolidated system at the present time.
- a. Please see attached Schedule RR1(b) that provides year-end interest coverage before and after taxes for the last three years (2010-2008) and at latest date (6/30/11), including Indenture and SEC Bases, for the Company, Parent and consolidated system.
 - b. There is no preferred stock outstanding for the Company, Parent and consolidated system for the last three years.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
CAPITALIZATION RATIOS

	Actual 12/31/2006		Actual 12/31/2007		Actual 12/31/2008		Actual 12/31/2009		Actual 12/31/2010		Forecast 12/31/2011		Forecast 6/30/2012	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Aqua Pennsylvania, Inc.														
Long-term debt (incl. current portion)	595,683	49.6%	719,821	53.4%	724,550	50.9%	847,976	53.6%	925,587	51.1%	976,377	50.6%	983,014	48.9%
Short-term debt	13,000	1.1%	18,988	1.4%	60,734	4.3%	15,000	0.9%	63,277	3.5%	80,000	4.1%	29,150	1.5%
Preferred Equity	608,683	50.7%	738,809	54.8%	785,284	55.2%	862,976	54.5%	988,864	54.6%	1,056,377	54.8%	1,012,164	50.4%
Common Equity (incl. minority int.)	592,014	49.3%	608,478	45.2%	637,609	44.8%	719,228	45.5%	822,163	45.4%	872,304	45.2%	997,735	49.6%
	1,200,697	100.0%	1,347,287	100.0%	1,422,893	100.0%	1,582,204	100.0%	1,811,027	100.0%	1,928,681	100.0%	2,009,899	100.0%
Excl short-term debt														
Long-term debt (incl. current portion)	595,683	50.2%	719,821	54.2%	724,550	53.2%	847,976	54.1%	925,587	53.0%	976,377	52.8%	983,014	49.6%
Preferred equity	592,014	49.8%	608,478	45.8%	637,609	46.8%	719,228	45.9%	822,163	47.0%	872,304	47.2%	997,735	50.4%
Common Equity (incl. minority int.)	1,187,697	100.0%	1,328,299	100.0%	1,362,159	100.0%	1,567,204	100.0%	1,747,750	100.0%	1,848,681	100.0%	1,980,749	100.0%
Aqua America, Inc. (Parent)														
Long-term debt (incl. current portion)	175,315	14.9%	290,697	22.9%	303,025	22.2%	354,674	24.2%	398,525	25.3%	N/A	N/A	N/A	N/A
Short-term debt	80,000	6.8%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	N/A	N/A	N/A	N/A
Preferred Equity	255,315	21.7%	290,697	22.9%	303,025	22.2%	354,674	24.2%	398,525	25.3%	N/A	N/A	N/A	N/A
Common Equity (incl. minority int.)	923,444	78.3%	978,277	77.1%	1,060,627	77.8%	1,109,464	75.8%	1,174,826	74.7%	N/A	N/A	N/A	N/A
	1,178,759	100.0%	1,288,974	100.0%	1,363,652	100.0%	1,464,138	100.0%	1,573,351	100.0%	N/A	N/A	N/A	N/A
Excl short-term debt														
Long-term debt (incl. current portion)	175,315	16.0%	290,697	22.9%	303,025	22.2%	354,674	24.2%	398,525	25.3%	N/A	N/A	N/A	N/A
Preferred equity	923,444	84.0%	978,277	77.1%	1,060,627	77.8%	1,109,464	75.8%	1,174,826	74.7%	N/A	N/A	N/A	N/A
Common Equity (incl. minority int.)	1,098,759	100.0%	1,268,974	100.0%	1,363,652	100.0%	1,464,138	100.0%	1,573,351	100.0%	N/A	N/A	N/A	N/A
Aqua America, Inc. (Consolidated)														
Long-term debt (incl. current portion)	982,815	48.5%	1,238,980	54.5%	1,255,401	52.4%	1,446,134	56.0%	1,560,389	55.2%	N/A	N/A	N/A	N/A
Short-term debt	119,150	5.9%	56,918	2.5%	80,589	3.4%	27,487	1.1%	89,688	3.2%	N/A	N/A	N/A	N/A
Preferred Equity	1,101,965	54.4%	1,295,898	57.0%	1,335,990	55.7%	1,473,621	57.0%	1,650,057	58.4%	N/A	N/A	N/A	N/A
Common Equity (incl. minority int.)	923,444	45.6%	978,277	43.0%	1,060,627	44.3%	1,109,464	43.0%	1,174,826	41.6%	N/A	N/A	N/A	N/A
	2,025,409	100.0%	2,274,175	100.0%	2,396,617	100.0%	2,583,085	100.0%	2,824,883	100.0%	N/A	N/A	N/A	N/A
Excl short-term debt														
Long-term debt (incl. current portion)	982,815	51.6%	1,238,980	55.9%	1,255,401	54.2%	1,446,134	56.6%	1,560,389	57.0%	N/A	N/A	N/A	N/A
Preferred equity	923,444	48.4%	978,277	44.1%	1,060,627	45.8%	1,109,464	43.4%	1,174,826	43.0%	N/A	N/A	N/A	N/A
Common Equity (incl. minority int.)	1,906,259	100.0%	2,217,257	100.0%	2,316,028	100.0%	2,555,598	100.0%	2,735,215	100.0%	N/A	N/A	N/A	N/A

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
INTEREST COVERAGES - INDENTURE & SEC BASIS

	YTD 6/30/2011	-----Yr Ended----- 2010	2009	2008
<u>Aqua Pennsylvania, Inc.</u>				
Interest Coverage - Indenture Basis - Before Tax	4.34	4.94	4.17	5.14
Interest Coverage - SEC Basis - Before Tax	3.69	4.14	4.03	4.17
Interest Coverage - Indenture Basis - After Tax	3.33	3.38	2.89	3.54
Interest Coverage - SEC Basis - After Tax	2.83	2.83	2.79	2.88
<u>Aqua America, Inc. (Parent)</u>				
Interest Coverage - Indenture Basis - Before Tax	N/A	N/A	N/A	N/A
Interest Coverage - SEC Basis - Before Tax	1.48	(0.12)	(8.96)	1.02
Interest Coverage - Indenture Basis - After Tax	N/A	N/A	N/A	N/A
Interest Coverage - SEC Basis - After Tax	1.77	0.41	(1.22)	1.20
<u>Aqua America, Inc. (Consolidated)</u>				
Interest Coverage - Indenture Basis - Before Tax	5.37	5.36	4.43	4.94
Interest Coverage - SEC Basis - Before Tax	3.70	3.64	3.50	3.32
Interest Coverage - Indenture Basis - After Tax	4.20	3.79	3.17	3.50
Interest Coverage - SEC Basis - After Tax	2.89	2.57	2.51	2.35

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR2. Provide latest Prospectus (Company and Parent).

A. There is no Prospectus for Company. Please see attached for latest Prospectus for Parent.

PROSPECTUS



Aqua America, Inc.
Dividend Reinvestment and Direct Stock Purchase Plan

5,000,000
Shares of Common Stock

- You do not need to be one of our existing shareholders to participate in the Plan.
- The Plan gives you a convenient, systematic way to purchase our common stock.
- You can increase your ownership by reinvesting dividends at a 5% discount and by making optional cash investments with brokerage fees and commissions paid by us.
- You can own and transfer shares without holding certificates.
- You can purchase shares through an IRA with a portion of the annual maintenance fee paid by us.

IMPORTANT NOTE: Sales of shares through the Plan are subject to fees and commission charges for which you will be responsible. Please see the "Costs" section of this prospectus for further details regarding these fees and commission charges.

Our common stock is listed on the New York Stock Exchange under the symbol "WTR." Our principal executive office is located at 762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania 19010-3489 and our telephone number is 610-527-8000.

Investing in our common stock involves risk. See "Risk Factors" on page 1 for certain risks to consider before participating in the Plan or purchasing shares of our common stock.

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

The date of this prospectus is August 5, 2011.

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As used in this prospectus, the words “we,” “us,” “our,” and “Aqua America” refer to Aqua America, Inc. and its subsidiaries unless otherwise indicated or the context otherwise requires.

PLAN OVERVIEW

The Aqua America, Inc. Dividend Reinvestment and Direct Stock Purchase Plan (the “Plan”) provides you with a convenient and economical way to purchase shares of our common stock and to reinvest your cash dividends in additional shares. The Plan has various features and you can select those features that meet your investment needs.

The Plan is designed for long-term investors who wish to invest and build their share ownership over time. Unlike an individual stock brokerage account, the timing of purchases and sales is subject to the provisions of the Plan.

Please read this prospectus and the documents incorporated by reference herein carefully. If you are a shareholder of record of at least 5 shares of Aqua America common stock, and wish to participate in the Plan, please sign and execute a Dividend Reinvestment and Direct Stock Purchase Plan Enrollment Form (the “Enrollment Form”). If your shares of Aqua America common stock are registered in a nominee name (such as in the name of a bank, broker or other nominee), please see the “Participation and Enrollment” section below for instructions on how to have such shares participate in the Plan. Investors wishing to make an initial investment of not less than \$500 should complete the Dividend Reinvestment and Direct Stock Purchase Plan Initial Enrollment Form (the “Initial Enrollment Form”). When completed, the form should be mailed to Computershare Trust Company, N.A. (the “Administrator”). Employees of Aqua America who wish to pay for their investment by having a portion of their compensation withheld and applied to the investment should complete the Employee Enrollment Form provided by the Company.

You can also enroll in the Plan and access your Plan account through the Internet at the Administrator’s web site, www.computershare.com/investor, at any time. In addition, you can authorize one-time initial and subsequent optional cash investments or establish recurring automatic withdrawals from your U.S. bank account.

RISK FACTORS

Investing in our common stock involves risks. Please see the risk factors described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission (the “SEC”), which are all incorporated by reference in this prospectus. Before making an investment decision, you should carefully consider these risks as well as other information contained or incorporated by reference in this prospectus.

FORWARD-LOOKING STATEMENTS

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

- the availability of Internet access to the Administrator’s web site;
- projected capital expenditures and related funding requirements;
- dividend payment projections;
- opportunities for future acquisitions, the success of pending acquisitions and the impact of – future acquisitions;
- the capacity of our water supplies, water facilities and wastewater facilities;
- general economic conditions;
- acquisition-related costs and synergies;

- the impact of geographic diversity on our exposure to unusual weather;
- developments, trends and consolidation in the water and wastewater utility industries;
- our capability to pursue timely rate increase requests;
- our authority to carry on our business without unduly burdensome restrictions;
- our ability to obtain fair market value for condemned assets;
- the impact of fines and penalties;
- the development of new services and technologies by us or our competitors;
- the availability of qualified personnel;
- the condition of our assets; and
- the impact of legal proceedings.

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

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

Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this prospectus and the documents that we incorporate by reference into this prospectus completely and with the understanding that our actual future results may be materially different from what we expect. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus. Except for our ongoing obligations to disclose material information under the federal securities laws, we are not obligated to update these forward-looking statements, even though our situation may change in the future. We qualify all of our forward-looking statements by these cautionary statements. As you read this prospectus and the documents that we incorporate by reference into this prospectus, you should pay particular attention to the “Risk Factors” included in our most recent Annual Report on Form 10-K and in any filing we make with the SEC after the date of such Annual Report on Form 10-K that is incorporated by reference into this prospectus.

A SUMMARY OF IMPORTANT PLAN FEATURES

- *Participation.* You may participate in the Plan if you own at least 5 shares of Aqua America common stock that are registered in your name. You may also participate by making an initial minimum investment of at least \$500 through automatic withdrawal from your U.S. bank account, by check or by a one-time online bank debit through the Administrator's web site, www.computershare.com/investor. Employees of Aqua America who wish to pay for their investment by having a portion of their compensation withheld and applied to the investment should complete the Employee Enrollment Form provided by the Company. All U.S. citizens are eligible to join the Plan, whether or not they are currently shareholders. Foreign citizens are eligible to participate as long as their participation would not violate any laws in their home countries or other non-U.S. laws. If your shares of Aqua America common stock are registered in a nominee name (such as in the name of a bank, broker or other nominee), please see the "Participation and Enrollment" section below for instructions on how to have such shares participate in the Plan.
- *Automatic Dividend Reinvestment.* You can reinvest all or a portion of the cash dividends received on your first 100,000 shares toward the purchase of additional shares of our common stock, without paying trading fees or commissions. For purposes of the Plan, the term "full dividend reinvestment" means the reinvestment of dividends on all shares held by you in your name under the Plan up to a maximum of 100,000 shares.
- *Electronic Deposit of Cash Dividends.* You can authorize the Administrator to deposit your cash dividends directly into your U.S. bank account.
- *Optional Cash Investments.* As a shareholder, you can buy additional shares of our common stock at any time for as little as \$50. The maximum optional cash investment you may make in any calendar year is \$250,000. You can pay by check or by a one-time online bank debit through the Administrator's web site, www.computershare.com/investor, or have your payment automatically withdrawn from your U.S. bank account. Employees of Aqua America who wish to make optional cash investments should complete the Employee Enrollment Form provided by the Company.
- *IRAs.* You may establish a traditional IRA, a Roth IRA or a Coverdell Education Savings Account which invests in common stock through the Plan. IRA contributions and rollovers do not count against a participant's \$250,000 annual investment limitation. There is an annual maintenance fee of \$45.00 charged by the IRA and Coverdell Education Saving Account Trustee, which we will pay for the first calendar year in which you participate. In all subsequent years, twenty-five dollars (\$25.00) of this annual fee will be charged to you, with the balance paid by us.
- *Full Investment.* Full investment of your funds is possible because any initial investment and optional cash investments will be used to buy whole and fractional shares. In addition, the full dividend earned on your shares (up to the first 100,000 shares you own), including fractional shares, will be reinvested or paid out as you designate.
- *Safekeeping of Certificates.* Shares purchased through the Plan for which you request certificates to be issued will be held by the Administrator for safekeeping. You may also deposit any Aqua America, or previously named Philadelphia Suburban Corporation, stock certificates that you hold for safekeeping, at no charge.
- *Transaction Reporting.* You will receive a statement following each transaction showing the details of, and your share balance in, your Plan account.
- *Internet Account Access.* You can also enroll in the Plan and access your Plan account through the Internet at the Administrator's web site, www.computershare.com/investor, at any time. In addition, you can authorize one-time initial and subsequent optional cash investments or establish recurring automatic withdrawals from your U.S. bank account.

ADMINISTRATION

Computershare Trust Company, N.A., administers the Plan and acts as Agent for the participants. Computershare, Inc. acts as service agent to Computershare Trust Company, N.A. in performing certain services for the Plan. These companies purchase and retain shares of our common stock for Plan participants, keep records, send statements and perform other duties required by the Plan.

For information about the Plan, you can contact the Administrator by calling toll-free:

Computershare Trust Company, N.A.	800-205-8314
Outside the United States call collect:	781-575-3100
web site address:	www.computershare.com/investor

All written correspondence and optional cash investments submitted without a proper investment coupon, should be submitted to:

By mail: Computershare Trust Company, N.A.
Attn.: Aqua America, Inc. Dividend Reinvestment
and Direct Stock Purchase Plan
P.O. Box 43078
Providence, RI 02940-3078

By courier: Computershare Trust Company, N.A.
Attn.: Aqua America, Inc. Dividend Reinvestment
and Direct Stock Purchase Plan
Mail Stop 1A
250 Royall Street
Canton, MA 02021

You can contact the Aqua America, Inc. IRA Program Administrator by calling toll free 1-800-597-7736. All written correspondence concerning the IRA Program, should be submitted to:

By mail: The IRA Program
C/O Computershare Trust Company, N.A.
P.O. Box 2175
Milwaukee, WI 53201-2175

By courier: The IRA Program
C/O Computershare Trust Company, N.A.
Attn.: Aqua America, Inc. IRA
803 W. Michigan Street
Milwaukee, WI 53233-2301

Make checks payable to "Computershare-Aqua America" in U.S. dollars and drawn on a U.S. bank. The Administrator will not accept cash, traveler's checks, money orders or third party checks for optional cash investments. Please use the cash investment form at the bottom of your statement.

INTERNET ACCESS

You can also obtain information about your account via the Internet at the Administrator's web site, www.computershare.com/investor. At the web site, through account access, you can access your share balance, enroll in the Plan, purchase shares (either as a one-time online bank debit or by recurring automatic monthly withdrawals from your U.S. bank account), sell shares, request a stock certificate, change dividend payment options and obtain online forms. To obtain access, click Register Now, fill in the required information, accept the Terms & Conditions and select a User ID and password.

PARTICIPATION AND ENROLLMENT

If you already own at least 5 shares of our common stock, you are eligible to participate in the Plan.

- If your shares are registered in your name, you can enroll in the Plan through the Internet at the Administrator's web site, www.computershare.com/investor, or you can fill out the Enrollment Form and return it to the Administrator.
- If your shares are registered in a nominee name but you wish to participate in the Plan you should instruct your bank, broker or other nominee to have some or all of your shares registered in your name. Simply instruct your bank, broker or other nominee to transfer at least 5 of your shares of our common stock electronically through the Direct Registration System from your brokerage account to a new book-entry account at the Administrator. Please contact your bank, broker or other nominee for more information. Once at least 5 of your shares of our common stock are moved from your brokerage account to a new book-entry account registered in your name with the Administrator, you may then participate in the Plan by enrolling in the Plan as set forth above. Alternatively, you may instruct your bank, broker or other nominee to arrange to have a paper stock certificate issued to you for at least 5 of your shares of our common stock. Once at least 5 shares are registered in your name, you may participate in the Plan by enrolling in the Plan as set forth above. If the shares that you hold are in certificated form, you can deposit these certificated shares in your Plan account for safekeeping. In each instance, any fees or charges assessed by your bank or broker are your responsibility and will not be paid by us.
- If your shares are held through our retirement plans or any of our other employee benefit plans (each, an "employee benefit plan") that participate in the Plan, your participation in the Plan will be through the administrator or trustee of the applicable employee benefit plan and you will be limited to the automatic dividend reinvestment feature of the Plan only. Please contact the administrator or trustee of the employee benefit plan to determine if the plan participates in the Plan. Your participation in the Plan will be subject to the terms and conditions of the applicable employee benefit plan and the administrator or trustee of such plan.

If you do not own any shares of our common stock, or if you wish to establish a separate account, you can go to the Administrator's web site, www.computershare.com/investor, and follow the instructions provided. You may enroll in the Plan by authorizing a one-time online bank debit from your U.S. bank account for an initial investment of at least \$500 or by establishing recurring automatic withdrawals from your U.S. bank account for a minimum of \$50 per transaction for at least ten consecutive months. Automatic withdrawal is further described in the "Optional Cash Investments" section of this prospectus. You can also fill out the Initial Enrollment Form and return it to the Administrator. Enclose a check, in U.S. dollars, for at least \$500 or, if you are an employee of Aqua America and wish to pay for your purchases through the withholding of compensation, fill out the Employee Enrollment Form provided to you by the Company. You can receive an Initial Enrollment Form by contacting the Administrator through the channels outlined in the "Administration" section of this prospectus. If you wish to make your initial investment through automatic withdrawals, you must agree to continue with the withdrawals until the \$500 minimum initial investment is reached. Please note, such automatic withdrawals continue indefinitely beyond the initial investment until you notify the Administrator through the Internet, by telephone or in writing to stop such automatic withdrawals.

If you open an account for another person by transferring stock from your account, you must transfer a minimum of 5 shares into that account.

DIVIDEND REINVESTMENT

You may choose to reinvest all or a portion of the dividends paid on your first 100,000 shares of our common stock held in your Plan account or participating in the Plan through our employee benefit plans. Your dividends will be used to buy additional shares of our common stock at a 5% discount from the prevailing market price. You have the following options for your dividends:

- *Full Dividend Reinvestment.* Your cash dividends received on shares you own up to 100,000 shares will be used to buy additional shares for you.

- *Partial Dividends Paid in Cash.* If you do not want full dividend reinvestment, select a lower number of full shares on which you want your dividends to be paid in cash. The balance of your dividends will be reinvested.
- *All Dividends Paid in Cash (no dividend reinvestment).* Your dividends on all of your shares will be paid in cash.

If you do not indicate which reinvestment option you want on the enrollment form, you will be automatically enrolled in full dividend reinvestment.

You may change your reinvestment option at any time by completing and returning a new Enrollment Form (which can be obtained by contacting the Administrator), by accessing your Plan account through the Internet at the Administrator's web site, www.computershare.com/investor, by calling the Administrator at 1-800-205-8314 or by providing written instructions to the Administrator. Dividends will be reinvested or paid on cash in accordance with your most recent instructions received by the Administrator prior to the dividend record date applicable to such dividend.

The 100,000 share reinvestment limitation does not apply to our employee benefit plans.

ELECTRONIC DEPOSIT OF CASH DIVIDENDS

If you are receiving all or a portion of your dividends in cash, you may have them electronically deposited into your U.S. bank account by completing an Authorization for Electronic Direct Deposit Form or by mailing a voided check or deposit slip to the Administrator. Contact the Administrator to receive an Authorization for Electronic Direct Deposit Form. You may also authorize electronic deposit through the Internet at the Administrator's web site, www.computershare.com/investor. This feature may be changed or discontinued at any time by notifying the Administrator. If you change your U.S. bank account and fail to notify the Administrator of the change, a check for your dividends will be issued and mailed only after the funds have been returned from the receiving bank.

OPTIONAL CASH INVESTMENTS

Participants in the Plan may buy additional shares of our common stock at any time by investing at least \$50. Your total optional cash investment may not exceed \$250,000 in a calendar year. Interest will not be paid on amounts held pending investment. Optional cash investments may be made:

- *By one-time online bank debit.* At any time, you may make optional cash investments by going to the Administrator's web site, www.computershare.com/investor, and authorizing a one-time online bank debit from your U.S. bank account. One-time online optional cash investment funds will be held by the Administrator for three banking business days before they are invested. Please refer to the online confirmation for your bank account debit date and investment date. In the event that a one-time online bank debit is not honored for any reason, the Administrator will consider the request for the investment of that money null and void and shall immediately remove from the participant's account the shares, if any, purchased upon the prior credit of such money. A fee of \$25 will also be assessed against the participant's account. The Administrator will then be entitled to sell those shares to satisfy the balance of such uncollected amounts. If the net proceeds of the sale of those shares are insufficient to satisfy the balance of such uncollected amounts, the Administrator will be entitled to sell additional shares from the participant's account to satisfy the uncollected balance.
- *By check.* Mail your check with the cash investment form from the bottom of your account statement to the address on the cash investment form. Do not send cash, traveler's checks, money orders or third party checks. All checks should be in U.S. funds and drawn from a U.S. bank. All payments should be made payable to "Computershare-Aqua America". In the event that a check is returned unpaid for any reason to the Administrator by the bank on which it is drawn, the Administrator will consider the request for investment of that money null and void and shall immediately remove from the participant's account the shares, if any, purchased upon the prior credit of such money. A fee of \$25 will also be assessed against the participant's account. The Administrator will then be entitled to sell those shares to

satisfy any uncollected balance. If the net proceeds of the sale of those shares are insufficient to satisfy the balance of such uncollected amounts, the Administrator will be entitled to sell additional shares from the participant's account to satisfy the uncollected balance.

- *By recurring automatic withdrawals from a U.S. bank account.* You can establish recurring automatic withdrawals through the Internet at the Administrator's web site, www.computershare.com/investor, or by filling out a Direct Debit Authorization Form for automatic withdrawals. You can receive a Direct Debit Authorization Form by contacting the Administrator through the channels outlined in the "Administration" section of this prospectus. All automatic withdrawal enrollment information must be received at least 30 days prior to the first debit date. Funds will be deducted from your bank account on the first business day of each month. If this date falls on a bank holiday, or non-business day, funds may be deducted on the next business day. These funds may be commingled with other optional cash investments. All funds automatically withdrawn from your bank account will be invested on the next optional cash investment date. Automatic withdrawals will continue at the level you set until you instruct the Administrator otherwise. You can change or stop automatic withdrawals by accessing your Plan account through the Internet at the Administrator's web site, www.computershare.com/investor, by calling the Administrator at 1-800-205-8314, by completing and returning a new Direct Debit Authorization Form or by giving written instructions to the Administrator. You must contact the Administrator at least 7 business days prior to the debit date to change or terminate automatic withdrawal. In the event that an automatic withdrawal is not honored for any reason, the Administrator will consider the request for investment of that money null and void and shall immediately remove from the participant's account the shares, if any, purchased upon the prior credit of such money. A fee of \$25 will also be assessed against the participant's account. The Administrator will then be entitled to sell those shares to satisfy any uncollected balance. If the net proceeds of the sale of those shares are insufficient to satisfy the balance of such uncollected amounts, the Administrator will be entitled to sell additional shares from the participant's account to satisfy the uncollected balance. Employees of Aqua America who wish to pay for their investment by having a portion of their compensation withheld and applied to the investment should complete the Employee Enrollment Form provided by the Company.

PURCHASE AND SOURCE OF SHARES

Shares of our common stock needed to meet the requirements of the Plan will either be purchased in the open market or issued directly by us. We will pay transaction fees and per share fees (which will include any brokerage commissions the Administrator is required to pay) incurred for the purchase of shares. The Administrator will invest your funds as promptly as practicable, at least once each week. However, funds automatically withdrawn from your U.S. bank account will be invested as specified above in "Optional Cash Investments – By automatic recurring withdrawals from a U.S. bank account." Funds may not be returned once they have been submitted to the Administrator. In the unlikely event that, due to unusual market conditions, the Administrator is unable to purchase shares of our common stock within 30 days (in the case of reinvested dividends) or within 35 days after receipt (in the case of cash investments), the funds will be returned to you by check. No interest will be paid on funds held by the Administrator pending investment. All dividends will be invested independently from optional cash investments. Please note that you will not be able to direct the Administrator to purchase shares at a specific time or at a specific price or through a specific broker or dealer.

PRICE OF SHARES

Open market purchases for initial, optional and IRA investments will be at a price equal to 100% of the weighted average per share price of shares purchased by the Administrator to satisfy Plan requirements. If the Administrator purchases shares to meet the dividend reinvestment requirement in the open market, your price per share will be 95% of the weighted average price of shares purchased. We will pay all transaction fees and per share fees in connection with open market purchases.

For original issue or treasury shares purchased from Aqua America for initial, optional and IRA investments (including investments made by employees through compensation withholding), the price per share will be 100% of the average of the daily high and low trading prices quoted on The New York Stock Exchange on the day of purchase (the investment date).

For original issue or treasury shares purchased from Aqua America to meet the dividend reinvestment requirement under the Plan, the price per share will be 95% of the average of the daily high and low trading prices quoted on The New York Stock Exchange for the five trading days preceding the dividend payment date.

SALE OF SHARES

You can sell some or all of the shares held in your Plan account, or any other book-entry shares of Aqua America, by accessing your Plan account through the Internet at the Administrator's web site, www.computershare.com/investor, by calling the Administrator at 1-800-205-8314, by providing written instructions to the Administrator or by mailing the form attached to your Plan statement. Sale orders placed over the phone may be subject to a limit established by the Administrator. We are not responsible for trading fees incurred in the sale of shares.

If you ask the Administrator to sell some or all of your shares, you can choose to sell through a market order or batch order sale. For a batch order sale, you will be charged a transaction fee of \$15, plus \$0.15 per share, through a market order sale, you will be charged a transaction fee of \$25, plus \$0.15 per share.

A market order is a request to sell shares promptly at the current market price. Market order sales are only available www.computershare.com/investor or by calling the Administrator's directly at 1-800-205-8314. Market order sale requests received at www.computershare.com/investor or by telephone will be placed promptly upon receipt during market hours (normally 9:30 a.m. to 4:00 p.m. Eastern Time). Any orders received after 4:00 p.m. Eastern Time will be placed promptly on the next day the market is open. The price shall be the market price of the sale obtained by the Plan Administrator's broker, less a transaction fee of \$25 plus \$0.15 per share.

A batch order is an accumulation of all sales requests for a security submitted together as a collective request. Batch orders are submitted on each market day, assuming there are sale requests to be processed. Sale instructions for batch orders received by the Administrator will be processed no later than five business days after the date on which the order is received (except where deferral is required under applicable federal or state laws or regulations), assuming the applicable market is open for trading and sufficient market liquidity exists. Batch order sales are available at www.computershare.com/investor, by calling the Administrator directly at 1-800-205 8314 or in writing. All sales requests received in writing, including sale requests for IRA Plan accounts and Coverdell Education Savings Accounts, will be submitted as batch order sales. The Administrator will cause your shares to be sold on the open market within five business days of receipt of your request. To maximize cost savings for batch order sale requests, the Administrator will seek to sell shares in round lot transactions. For this purpose the Administrator may combine each selling program participant's shares with those of other selling program participants. In every case of a batch order sale, the price to each selling program participant shall be the weighted average sale price obtained by the Administrator's broker for each aggregate order placed by the Administrator and executed by the broker, less a transaction fee of \$15 and \$0.15 per share. Proceeds are normally paid by check, which are distributed within 24 hours after your sale transaction has settled.

Please note that the Administrator is not able to accept instructions to sell on a specific day or at a specific price or through a specific broker or dealer. If you prefer to have complete control over the exact timing and sales prices, you can withdraw the shares and sell them through a broker of your own choosing.

All sales requests having an anticipated market value of \$25,000 or more must be submitted in written form.

If you elect to sell shares online at www.computershare.com/investor, you may utilize the Administrator's international currency exchange service to convert the sale proceeds to your local currency prior to being sent to you. Receiving sales proceeds in a local currency and having your check drawn on a local bank avoids the timely and costly "collection" process required for cashing U.S. dollar checks. This service is subject to additional terms and conditions and fees, which you must agree to online. We are not responsible for any costs or fees associated with your use of this service.

If your holdings in any account fall below 5 shares, the Administrator may close that account out of the Plan as described in the "Minimum Account" section of this prospectus.

INDIVIDUAL RETIREMENT ACCOUNTS (“IRA”)

You may establish a Traditional IRA, Roth IRA or Coverdell Education Savings Account of our common stock by returning completed Enrollment Forms together with your contribution to the IRA and Coverdell Education Savings Account Trustee. If you are already a shareholder of at least 5 shares, you may open an IRA or Coverdell Education Savings Account with as little as \$50. If you are not a shareholder, the minimum contribution to open an account is \$500.

You may also open an IRA or Coverdell Education Savings Account to receive a cash rollover or a transfer of Aqua America shares from another IRA or qualified retirement plan. The IRA and Coverdell Savings Account Trustee will invest the cash rollovers into shares of our common stock.

There is an annual maintenance fee of \$45.00 charged by the IRA and Coverdell Education Savings Account Trustee, which we will pay for the first calendar year in which you participate. In all subsequent years, twenty-five dollars (\$25.00) of this annual fee will be charged to you, with the balance paid by us.

IRA and Coverdell Education Savings Account contributions and rollovers will not count against the \$250,000 maximum investment limit under the Plan.

If you are interested in opening a Traditional IRA, Roth IRA or Coverdell Education Savings Account, you may obtain the enrollment and a disclosure statement from Computershare Trust Company, N.A., which will administer the IRA and Coverdell Education Savings Account. For information, call the Computershare IRA Department at its toll-free number, 1-800-597-7736.

SAFEKEEPING OF CERTIFICATES AND BOOK ENTRY

For your convenience, shares purchased under the Plan will be maintained by the Administrator in your name in book-entry form. You may, however, request a stock certificate, free of charge, by accessing your Plan account through the Internet at the Administrator’s web site, www.computershare.com/investor, by calling the Administrator at 1-800-205-8314 or by providing written instructions to the Administrator.

If you are holding certificates for Aqua America, Inc., or previously named Philadelphia Suburban Corporation common stock, you may use the Plan’s “safekeeping” service to deposit those stock certificates at no cost. Safekeeping protects your shares against loss, theft or accidental destruction and provides a convenient way for you to keep track of your shares. Only shares held in safekeeping or in book-entry form may be sold through the Plan.

To use the safekeeping service, send your certificates to the Administrator at the address listed on page 4 of this prospectus by registered or certified mail, with a return receipt requested or some other form of traceable mail, and properly insured. **YOU SHOULD NOT ENDORSE THE STOCK CERTIFICATE BEFORE YOU SEND IT IN.**

TRACKING YOUR INVESTMENT

The Administrator will send a statement confirming the details of each transaction you make. For market order transactions, the time of sale will be provided. If you continue to be enrolled in the Plan, but have no transactions, the Administrator will mail you an annual statement reflecting your holdings. For shares acquired in the Plan after January 1, 2011, specific cost basis information will be included in your statement in accordance with applicable law.

You should notify the Administrator promptly of any change in address since all notices, statements and reports will be mailed to your address of record.

Please retain your statements to establish the cost basis of shares purchased under the Plan for income tax and other purposes. A \$20 flat fee per year requested will be charged for all prior year duplicate statement requests.

You may also view year-to-date transaction activity in your Plan account for the current year, as well as activity in prior years, by accessing your Plan account through the Internet at the Administrator’s web site, www.computershare.com/investor.

OBTAINING A STOCK CERTIFICATE

To obtain a stock certificate for all or a portion of your full shares, you can contact the Administrator by accessing your Plan account through the Internet at the Administrator's web site, www.computershare.com/investor, by calling the Administrator at 1-800-205-8314, by making a written request of the Administrator or by completing the transaction form at the bottom of your statement and submitting it to the Administrator. The certificate will be issued at no cost to you. No fractional shares of common stock will be issued; instead, the then-current market value of any fractional share sold, less any transaction fees and per share fees, will be paid in cash.

If you want the certificate issued in a name other than your Plan account registration, the Administrator may require you to have your signature guaranteed by a financial institution in the Medallion Guarantee program.

TRANSFERS

You may transfer or give our common stock to anyone you choose by:

- Making an initial \$500 cash investment to establish a new account in the recipient's name; or
- Making an optional cash investment on behalf of an existing shareholder in the Plan in an amount not less than \$50 nor more than \$250,000 in one calendar year; or
- Transferring at least 5 shares from your account to the recipient.

If you would like transfer instructions and documentation sent to you or if you need additional assistance, please contact the Administrator at 1-800-205-8314 or through the Administrator's web site, www.computershare.com/investor.

DIVIDEND PAYMENT AND RECORD DATES

Normal dividend payment dates are expected to be on the first day of March, June, September and December. The record date usually precedes the dividend payment date by 10 business days.

In order to be the owner of record and eligible to receive the quarterly dividend, your shares must have been purchased and the transaction settled three trading days prior to the record date (the ex-dividend date). We can give no guarantee whatsoever that we will declare dividends in the future.

TERMINATION OF PARTICIPATION

If you wish to stop reinvesting your dividends or to stop automatic monthly investments, please use the transaction form from the bottom of your statement or contact the Administrator by accessing your Plan account through the Internet at the Administrator's web site, www.computershare.com/investor, by calling the Administrator at 1-800-205-8314 or by providing written instructions to the Administrator.

In the event you have been reinvesting your dividends and your notice of termination is received by the Administrator near a record date for a dividend payment, the Administrator, in its sole discretion, may either distribute that dividend in cash or reinvest it in shares on your behalf. In the event the dividend is reinvested, the Administrator will process your withdrawal from the Plan as soon as practicable, but in no event later than five business days after the purchase is completed.

MINIMUM ACCOUNT

After you have made your initial contribution of \$500 by automatic withdrawals, check or one-time online bank debit, or had at least 5 shares transferred into an account registered in your name under the Plan, you must, at all times you are enrolled in the Plan, keep a minimum number of 5 shares of our common stock in your account. If you keep less than 5 shares in your account, the Administrator will contact you, at your record address, to notify you that your account will be closed within sixty (60) days of the day that your account held less than 5 shares. You will then have sixty (60) days from that date to purchase enough shares to have at least 5 shares in your account.

If the above-referenced time period passes without you meeting the 5-share limit, the Administrator will close the account. A check representing the cash value of all of your shares based upon the then-current market value price less any transaction fees, per share fees or other costs of sale, will be sent to your address of record thereby closing the account. To resume participation in the Plan you will have to enroll again or otherwise re-enter the Plan.

COSTS

We pay for all transaction fees and per share fees (which include any brokerage commissions the Administrator is required to pay) associated with the reinvestment of dividends and the making of optional cash investments.

For each batch order sale of whole shares from your Plan account, you will be charged a \$15.00 transaction fee and a per share fee of \$0.15.

For each market order sale of whole shares from your Plan account, you will be charged a \$25.00 transaction fee and a per share fee of \$0.15.

There is an annual maintenance fee of \$45.00 charged by the IRA and Coverdell Education Savings Account Trustee, which we will pay for the first calendar year in which you participate. In all subsequent years, twenty-five dollars (\$25.00) of this annual fee will be charged to you, with the balance of the annual fee paid by us.

TAXES

All dividends paid to you – whether or not they are reinvested – are considered taxable income to you in the year they are paid. The total amount will be reported to you, and to the Internal Revenue Service, shortly after the close of each year. If you are reinvesting your dividends, the value of the 5% discount from the purchase price of the shares (the calculated fair market value) will also be reported as taxable income.

If you are an employee of Aqua America and are paying for shares by having compensation withheld, the amounts withheld will be subject to taxation as ordinary income on the same basis as the portion of your compensation that is not withheld.

All shares of stock that are sold through the Administrator will also be reported to the IRS as required by law. Any profit or loss you incur should be reflected when you file your income tax returns.

In addition, the Internal Revenue Service may require that any per share fees (which include any brokerage commissions the Administrator is required to pay incurred in the purchase of shares and paid by us on your behalf be treated as dividend income to you, in which case such amounts can be included in your cost basis of shares purchased.

Be sure to keep your statements of account for income tax purposes. A fee of \$20.00 per year requested may be incurred to furnish historical information. If you have questions about the tax basis of any transactions, please consult your own tax advisor.

VOTING

We will forward to you, either electronically or by mail based on your preference, a proxy for shares of our common stock for which you hold certificates and shares of our common stock credited to your Plan account. The Administrator shall not vote shares of our common stock that it holds for your Plan account except as directed by you.

HANDLING OF STOCK SPLITS AND OTHER DISTRIBUTIONS

In the event we issue a stock dividend or declare a stock split, your Plan account will be adjusted to reflect the receipt of shares paid or distributed. Any stock dividend or stock split shares of our common stock issued with respect to both certificated and book-entry (whole and fractional) shares will be credited automatically to your Plan account in book-entry form.

In the event of a stock subscription or other offering of rights to shareholders, your rights will be based on your total registered holdings (the shares held in the Plan and outside of the Plan). A single set of materials will be distributed that will allow you to exercise your total rights.

CHANGES TO THE PLAN

We may add to or modify the Plan at any time. Similarly, we may, at any time, waive, suspend or terminate the Plan, or any provision of the Plan. We will send you written notice of any significant changes, suspensions or termination. The current prospectus is filed with the SEC and available on our website at <http://ir.aquaamerica.com/downloads/prospectus2011.pdf> and modifications to the Plan will be reflected in an updated prospectus on our website.

Any modification made to, or waiver, suspension or termination of, the Plan will apply to a participant's holdings in the Plan at the time the modification, waiver, suspension or termination becomes effective and to transactions occurring thereafter, regardless of when or how the shares were acquired. However, any modification, waiver, suspension or termination of the Plan will not affect your rights as a shareholder in any way, and any book-entry shares you own will continue to be credited to your account with the Administrator unless you specifically request otherwise.

We and the Administrator reserve the right to change any administrative procedure of the Plan.

INTERPRETATION OF THE PLAN

We may interpret and regulate the Plan as deemed necessary or desirable in connection with the operation of the Plan and resolve questions or ambiguities concerning the various provisions of the Plan.

RESPONSIBILITIES OF AQUA AMERICA AND THE ADMINISTRATOR

Neither we nor the Administrator shall be liable for any act performed in good-faith or for any good-faith omission to act, including, without limitation, any claims or liability: (a) for failure to terminate your account upon your death prior to receiving written notice of such death or (b) with respect to the prices at which shares of our common stock are purchased or sold for your Plan account and the times when such purchases or sales are made or (c) for any fluctuation in the market value after purchases or sale of shares of our common stock.

Neither we nor the Administrator can assure you a profit or protect you against a loss on the shares you purchase under the Plan.

USE OF PROCEEDS

The proceeds from the sale of newly-issued or treasury shares offered by us will be used for general corporate purposes. All other shares of common stock acquired under the Plan will be purchased in the open market, not from us, and we will not receive any proceeds from such purchases.

EXPERTS

Our consolidated financial statements and management's assessment of the effectiveness of internal control over financial reporting (which is included in Management's Report on Internal Control over Financial Reporting), incorporated in this prospectus by reference to our Annual Report on Form 10-K for the year ended December 31, 2010, have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Morgan, Lewis & Bockius LLP, our outside counsel, has given its opinion regarding the validity of the common stock covered by this prospectus.

ANTIDILUTION PROVISION

The aggregate number of shares of common stock registered for issuance and purchase under the Plan, as provided in the Registration Statement, of which this prospectus forms a part, the maximum number of shares that may be purchased by a participant and the calculation of the purchase price per share may be appropriately adjusted by us to reflect any increase or decrease in the number of issued shares of common stock resulting from a subdivision or consolidation of shares or other capital adjustment, or the payment of a stock dividend, or other increase or decrease in such shares, if effected without receipt of consideration by us.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street N.E., Washington, D.C. 20549. Copies of such materials can be obtained by mail at prescribed rates from the public reference room. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. You may also obtain our SEC filings from the SEC's web site at www.sec.gov or from our web site at <http://ir.aquaamerica.com/>.

This prospectus is part of a Registration Statement on Form S-3 that we filed with the SEC to register the stock offered under the Plan. As allowed by SEC rules, this prospectus does not contain all information you can find in the Registration Statement or the exhibits to the Registration Statement. The SEC allows us to "incorporate by reference" information into this prospectus, which means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus and later information filed with the SEC will update and supersede this information. Any statement so updated or superceded shall not be deemed, except as so updated or superceded, to constitute a part of this prospectus. We incorporate by reference the documents listed below and any future filings made with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, until our offering is completed.

- Our Annual Report on Form 10-K for the year ended December 31, 2010, including portions of our 2010 Annual Report to Shareholders and our definitive Proxy Statement for our 2011 Annual Meeting of Shareholders incorporated therein by reference.
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011.
- Our Current Reports on Form 8-K filed with the SEC on May 18, 2011, July 14, 2011 and August 2, 2011.
- The description of our common stock set forth in our Registration Statement on Form 8-A, including any amendments or reports filed for the purpose of updating such description.

You may request a copy of any documents that we incorporate by reference at no cost by telephoning 1-610-527-8000 or writing us at the following address:

Aqua America, Inc.
Investor Relations
762 W. Lancaster Avenue
Bryn Mawr, PA 19010

You should rely only on the information contained or incorporated by reference into this prospectus. We have authorized no one to provide you with different information. You should not assume that the information in the prospectus or incorporated by reference into this prospectus is accurate as of any date other than the date on the front of this prospectus or the date of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR3. Supply projected capital requirements and sources of Company, Parent and System (Consolidated) for the historic test year and each of three (3) comparable future years.

A. Please see attachment for historic test year capital, and refer to RR26 for the Company's Five Year Capital Plan of future capital.

RR3

Sum of TRAN_AMOUNT		HTY
ACTIVITY	AQUA_ACACTGRP.DESCRPTION	6/30/2011
105	New Mains (Extensions at Cost)	169,289
107	Install Mains-Company Expense	898,562
108	Mains Partially Funded by CIAC	(11,525)
110	Main Repl-SURCHARGE	116,668,558
113	MAIN REPL(Non SRCHRG-Pennvest)	1,745,729
116	Tie-In Dead End Mains-SURCHARG	4,934,477
120	Main Cleaning And Lining	10,981,390
125	Capitalized Main Breaks	5,734,581
130	Highway Relocations	-
132	Highway Relocations-SURCHARGE	391,246
135	Valve Replacements	337,790
136	Valve Replacements-SURCHG ELIG	405,410
141	Cathodic Protection Equip	30,434
145	Tank Painting	1,363,892
198	Other Main/DistrSysImpr-SURCHG	789,204
199	Other Main & Distr Sys Improvs	1,271,039
205	SURCHARGE ELIGIBLE METERS	1,398,670
210	NON SURCHARGE ELIGIBLE METERS	672,693
215	SUPPLIES-METERS(NON SURCHARGE)	(65,335)
225	ERT DEVICES (SURCHARGE)	1,028,898
299	OTHER METER PROJECTS	31,521
305	New Services	2,597,749
310	Renewal Services - Regular	2,116,922
315	Renewal Services - Main Rehab	15,414,484
399	Other Service Work	316,891
405	New Hydrants	215,661
410	Replaced/Relocated Hydrants	3,010,489
415	Eliminate No Drain Hydrants	324,635
420	Change 2way to 3way Hydrants	171
435	PRIVATE FIRE HYD REPLACEMENTS	17,458
499	Other Fire Hydrant Work	42,617
505	Chlorination Enhancements(TPB)	138,907
510	Automated Distr. Controls(TPB)	829,174
512	Treatment Plants	872,627
514	Boosters	196,441
	Wells	(3,649)
515	Improvements(TPB)	14,285,427
516	Equipment (Sewer)	29,445
517	Pumping Equipment (Water)	1,527,715
520	Equipment(TPB)	1,670,375
521	Wells	3,223,486
522	Dams	115,778
525	Tanks,Reservoir,Lagoons,Standp	1,602,112
599	Other(TPB)	1,128,921
605	Chlorination Enhancements(LT)	13,803
610	Treatment Equipment(LT)	276,489
615	Laboratory Equipment(LT)	226,044
699	Other Laboratory/Treatmnt Work	145,571
705	Fence Replacements	148,427
710	Office Furniture	103,275
715	Office Equipment	6,265
720	IMPROVEMENTS	1,855,269
799	Other Building/Maintnence Work	-
805	New Vehicles	1,857,690
810	Mechanical Equipment	578,492
900	Information System Expenditure	4,701,061
901	Working Tools	454,655
902	Safety Equipment	633,941
903	Purchases/Disposals	6,305
904	RESERVE	103,000
905	Retirements W/O Replacement	104,280
911	Security	648,425
Grand Total		210,313,351

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR4. Provide a schedule of debt and preferred stock of Company, Parent and System (consolidated) as of historic test year-end and latest date, detailing for each issue (if applicable):

- a. Date of issue
- b. Date of maturity
- c. Amount issued
- d. Amount outstanding
- e. Amount retired
- f. Amount required
- g. Gain on reacquisition
- h. Coupon rate
- i. Discount or premium at issuance
- j. Issuance expenses
- k. Net proceeds
- l. Sinking Fund requirements
- m. Effective interest rate
- n. Dividend rate
- o. Effective cost rate
- p. Total average weighted effective Cost Rate

A. There is no preferred stock for the Company, Parent or System (consolidated). The schedule of debt for the Company may be found in Schedule 6 of Exhibit 4-A. Debt for the Parent as of June 30, 2011 and September 30, 2011 is attached.

Aqua America, Inc. (Parent)
Long-Term Debt
As of June 30, 2011

Subsidiary	Structure	Holder	Interest Rate	Issue Date	Maturity Date	Original Amount	LT (excl. CP) Balance @ 06/30/11	Due 07/01/11 to 06/30/12	LT (incl. CP) 06/30/11	Weighted Average	
										Interest	Rate
Aqua America, Inc.	Note	Berkeley Acq	0.00%			525,170	525,170	-	525,170	-	-
Aqua America, Inc.	Senior Unsecured Notes	New York Life	4.72%	12/17/09	12/17/19	50,000,000	50,000,000	0	50,000,000	2,360,000	0.00%
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	4.87%	07/31/03	07/31/13	21,600,000	21,600,000	0	21,600,000	1,051,920	4.87%
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	4.87%	07/31/03	07/31/13	27,000,000	27,000,000	0	27,000,000	1,314,900	4.87%
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	4.87%	07/31/03	07/31/16	10,800,000	10,800,000	0	10,800,000	525,960	4.87%
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	4.87%	07/31/03	07/31/17	10,800,000	10,800,000	0	10,800,000	525,960	4.87%
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	4.87%	07/31/03	07/31/18	10,800,000	10,800,000	0	10,800,000	525,960	4.87%
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	4.87%	07/31/03	07/31/20	16,200,000	16,200,000	0	16,200,000	788,940	4.87%
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	4.87%	07/31/03	07/31/23	10,800,000	10,800,000	0	10,800,000	525,960	4.87%
Aqua America, Inc.	Unsecured Note - Series A	TIAA-CREF	5.01%	02/03/05	02/03/15	18,000,000	18,000,000	0	18,000,000	901,800	5.01%
Aqua America, Inc.	Unsecured Note - Series B	TIAA-CREF	5.20%	02/03/05	02/03/20	12,000,000	12,000,000	0	12,000,000	624,000	5.20%
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	5.40%	05/20/08	05/20/16	5,250,000	5,250,000	0	5,250,000	283,500	5.40%
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	5.40%	05/20/08	05/20/17	5,250,000	5,250,000	0	5,250,000	283,500	5.40%
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	5.40%	05/20/08	05/20/21	2,250,000	2,250,000	0	2,250,000	121,500	5.40%
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	5.54%	12/27/06	12/27/18	30,000,000	30,000,000	0	30,000,000	1,662,000	5.54%
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	5.63%	02/28/07	02/28/22	15,000,000	15,000,000	0	15,000,000	844,500	5.63%
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	5.83%	02/28/07	02/28/37	15,000,000	15,000,000	0	15,000,000	874,500	5.83%
Aqua America, Inc.	Senior Unsecured Notes	AXA Equitable Life	4.62%	06/24/10	06/24/21	15,000,000	15,000,000	0	15,000,000	693,000	4.62%
Aqua America, Inc.	Senior Unsecured Notes	Metropolitan Life	4.83%	06/24/10	06/24/24	20,000,000	20,000,000	0	20,000,000	966,000	4.83%
Aqua America, Inc.	Senior Unsecured Notes	Metropolitan Life	5.22%	06/24/10	06/24/28	35,000,000	35,000,000	0	35,000,000	1,827,000	5.22%
Total Aqua America						\$ 333,525,170	\$ 333,525,170	\$ -	\$ 333,525,170	\$ 16,822,400	5.04%

Unamortized Debt Issuance Expense Balance as of June 30, 2011

\$ 757,436

(A) Purchaser	Amount
The Baltimore Life Insurance Company	\$ 2,000,000
The Equitable Life Assurance Society	3,900,000
Nationwide Life Insurance Company	7,000,000
The Equitable Life Assurance Society	12,000,000
MONEY Life Insurance Company	15,000,000
Nationwide Life Insurance Company	20,500,000
Teachers Insurance & Annuity Assoc.	75,000,000
	<u>\$ 135,000,000</u>

Aqua America, Inc. (Parent)
Long-Term Debt
As of September 30, 2011

Subsidiary	Note	Structure	Holder	Interest Rate	Issue Date	Maturity Date	Original Amount	LT (excl. CPI) Balance @ 09/30/11	Due 07/01/11 to 09/30/12	LT (incl. CP) 09/30/11	Weighted Average Interest	Rate
Aqua America, Inc.	Senior Unsecured Notes	Berkley Acq	New York Life	0.00%	12/17/09	12/17/19	525,170	525,170	0	525,170	2,360,000	-
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	Various (A)	4.72%	07/31/03	07/31/13	50,000,000	50,000,000	0	50,000,000	1,051,920	5.04%
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	Various (A)	4.87%	07/31/03	07/31/13	21,600,000	21,600,000	0	21,600,000	1,314,900	-
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	Various (A)	4.87%	07/31/03	07/31/14	27,000,000	27,000,000	0	27,000,000	525,960	-
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	Various (A)	4.87%	07/31/03	07/31/16	10,800,000	10,800,000	0	10,800,000	525,960	-
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	Various (A)	4.87%	07/31/03	07/31/17	10,800,000	10,800,000	0	10,800,000	788,940	-
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	Various (A)	4.87%	07/31/03	07/31/18	10,800,000	10,800,000	0	10,800,000	525,960	-
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	Various (A)	4.87%	07/31/03	07/31/20	16,200,000	16,200,000	0	16,200,000	901,800	-
Aqua America, Inc.	Senior Unsecured Notes	Various (A)	Various (A)	4.87%	07/31/03	07/31/23	10,800,000	10,800,000	0	10,800,000	624,000	-
Aqua America, Inc.	Unsecured Note - Series A	TIAA-CREF	TIAA-CREF	5.01%	02/03/05	02/03/15	18,000,000	18,000,000	0	18,000,000	283,500	-
Aqua America, Inc.	Unsecured Note - Series B	TIAA-CREF	TIAA-CREF	5.20%	02/03/05	02/03/20	12,000,000	12,000,000	0	12,000,000	283,500	-
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	Northwestern Mutual Capital	5.40%	05/20/08	05/20/16	5,250,000	5,250,000	0	5,250,000	121,500	-
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	Northwestern Mutual Capital	5.40%	05/20/08	05/20/17	5,250,000	5,250,000	0	5,250,000	121,500	-
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	Northwestern Mutual Capital	5.40%	05/20/08	05/20/21	2,250,000	2,250,000	0	2,250,000	121,500	-
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	Northwestern Mutual Capital	5.40%	05/20/08	05/20/22	2,250,000	2,250,000	0	2,250,000	1,662,000	-
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	Northwestern Mutual Capital	5.54%	12/27/06	12/27/18	30,000,000	30,000,000	0	30,000,000	844,500	-
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	Northwestern Mutual Capital	5.63%	02/28/07	02/28/22	15,000,000	15,000,000	0	15,000,000	874,500	-
Aqua America, Inc.	Senior Unsecured Notes	Northwestern Mutual Capital	Northwestern Mutual Capital	5.63%	02/28/07	02/28/37	15,000,000	15,000,000	0	15,000,000	693,000	-
Aqua America, Inc.	Senior Unsecured Notes	AXA Equitable Life	AXA Equitable Life	4.62%	06/24/10	06/24/21	15,000,000	15,000,000	0	15,000,000	966,000	-
Aqua America, Inc.	Senior Unsecured Notes	Metropolitan Life	Metropolitan Life	4.83%	06/24/10	06/24/24	20,000,000	20,000,000	0	20,000,000	1,827,000	-
Aqua America, Inc.	Senior Unsecured Notes	Metropolitan Life	Metropolitan Life	5.22%	06/24/10	06/24/28	35,000,000	35,000,000	0	35,000,000	16,822,400	-
Total Aqua America				102.29%			\$ 333,525,170	\$ 333,525,170	\$ -	\$ 333,525,170	\$ 16,822,400	5.04%

Unamortized Debt Issuance Expense Balance as of September 30, 2011

\$ 750,175

(A) Purchaser	Amount
The Baltimore Life Insurance Company	\$ 2,000,000
The Equitable Life Assurance Society	3,500,000
Nationwide Life Insurance Company	7,000,000
The Equitable Life Assurance Society	12,000,000
MONY Life Insurance Company	15,000,000
Nationwide Life Insurance Company	20,500,000
Teachers Insurance & Annuity Assoc.	75,000,000
	<u>\$ 135,000,000</u>

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

- RR5. Supply financial data of Company and/or Parent for last five years:
- a. Earnings-price ratio (average)
 - b. Earnings-book value ratio (per share basis) (avg. book value)
 - c. Dividend yield (average)
 - d. Earnings per share (dollar)
 - e. Dividends per share (dollars)
 - f. Average book value per share yearly
 - g. Average yearly market price per share (monthly high-low basis)
 - h. Pre-tax funded debt interest coverage
 - i. Post-tax funded debt interest coverage
 - j. Market price-book value ratio
- A. Refer to Exhibit 4-A, Schedule 2.

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

RR6. Provide AFUDC charged by company at historic test year-end and latest date, explain method by which rate was calculated and provide workpaper showing derivation of the Company's current AFUDC rate.

A. Twelve months ended June 30, 2011 - \$4,703,339

The Company utilizes the short term debt rate for cost of capital used during construction, except when CWIP exceeds short-term debt. When CWIP exceeds short-term debt, a blended rate reflecting both debt and equity is utilized. The current AFUDC rate is 0.970959%

AQUA PENNSYLVANIA, INC.
2011 RATE CASE
FILING REQUIREMENTS

G. Rate of Return

- RR7. Set forth provisions of Company's and Parent's charter and indentures (if applicable) which describe coverage requirements, limits on proportions of types of capital outstanding, and restrictions on dividend payouts.
- A. Please see attached.

Prepared by and Return to:
Mary T. Tomich, Esq.
Dilworth Paxson LLP
1500 Market Street
Suite 3500E
Philadelphia, PA 19102
215-575-7000

FORTY-SIXTH SUPPLEMENTAL

INDENTURE

DATED AS OF [OCTOBER 15], 2010

TO

INDENTURE OF MORTGAGE

DATED AS OF JANUARY 1, 1941

AQUA PENNSYLVANIA, INC.

TO

THE BANK OF NEW YORK MELLON TRUST COMPANY, N. A.

ARTICLE III.
Covenants of the Company.

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

SECTION 2. The Company covenants and agrees that so long as any of the Bonds are outstanding (a) the Company will not make any Stock Payment if, after giving effect thereto, its retained earnings, computed in accordance with generally accepted accounting principles consistently applied, will be less than the sum of (i) Excluded Earnings, if any, since December 31, 2009, and (ii) \$20,000,000; (b) Stock Payments made more than 40 days after the commencement, and prior to the expiration, of any Restricted Period shall not exceed 65% of the Company's Net Income during such Restricted Period; and (c) the Company will not authorize a Stock Payment if there has occurred and is continuing an event of default under subsections (a) and (b) of Section 1 of Article XI of the Original Indenture.

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

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

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

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

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

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

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

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

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

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

ARTICLE IV.
The Trustee.

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

SECTION 2. Subject to the provisions of Article XIII of the Original Indenture, the Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through and consult with attorneys, agents, officers or employees selected by the Trustee in its sole discretion. The Trustee shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder and may in all cases pay such reasonable compensation to all such attorneys, agents, officers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act or refrain from acting and rely upon and be free from all liability for so relying upon the opinion or advice of any attorney (who may be the attorney or

pany to permit the legal and valid issue and authentication and delivery of the bonds which have been applied for has been duly had and taken;

4. An Officers' Certificate, as herein defined, stating the aggregate principal amount of all bonds at the time outstanding under this Indenture, and, unless the Opinion of Counsel provided for in paragraph 3 of this subdivision (B) shall state that the amount of indebtedness or bonded indebtedness which may be incurred by the Company is not then limited by law or by corporate action, also stating that the total amount of indebtedness or bonded indebtedness of the Company outstanding, including the aggregate principal amount of bonds issued and outstanding, as herein defined, under this Indenture plus the aggregate principal amount of bonds applied for in the accompanying application, does not exceed an amount which shall be specified in the Certificate;

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5. The officially authenticated certificates or other documents, if any, specified in the Opinion of Counsel provided for in paragraph 3 of this subdivision (B), including evidence satisfactory to the Trustee of the payment or provision for payment of any taxes therein referred to;

6. If the bonds, the authentication and delivery of which are then applied for, are not a part of any series then existing, a Resolution or Resolutions and an indenture supplemental hereto, creating the series of which such bonds are a part.

*

SECTION 3. (A) Subject to the provisions of Section 2 of this Article bonds in addition to those provided for in any other Section hereof may from time to time be executed by the Company and delivered to the Trustee

Faint handwritten notes or signatures at the bottom right of the page.

and shall be authenticated and delivered by the Trustee upon the basis of Available Permanent Additions, subject to the conditions, provisions and limitations set forth in this Section. The aggregate principal amount of bonds that may be authenticated and delivered from time to time under the provisions of this Section is limited to seventy per cent. (70%) of the Net Amount of Available Permanent Additions, made the basis of the authentication and delivery thereof certified or provided in subdivision (B) of this Section.

No bonds shall be authenticated and delivered under this Section unless the Net Earnings of the Company as shown by a Net Earnings Certificate for a period of twelve (12) consecutive calendar months within the fifteen (15) calendar months next preceding the application for authentication and delivery of bonds, shall have been not less than one and three-quarters ($1\frac{3}{4}$) times the interest requirements for a period of one year upon (a) the bonds applied for, (b) all bonds outstanding, as herein defined, on the date of such application, and (c) all indebtedness outstanding on the date of such application which is secured by any lien for the payment of money or its equivalent prior to or on a parity with the lien of this Indenture other than Permitted Liens, as herein defined.

(B) No application by the Company to the Trustee for the authentication and delivery of bonds under this Section shall be granted by the Trustee, until the Trustee shall have received:

1. The documents provided for in Section 2 of this Article;

2. An Engineer's Certificate, as herein defined, dated not more than thirty (30) days preceding the

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ARTICLE III.

Covenants of the Company.

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

SECTION 2. The Company covenants and agrees that so long as any of the Bonds are outstanding (a) the Company will not make any Stock Payment if, after giving effect thereto, its retained earnings, computed in accordance with generally accepted accounting principles consistently applied, will be less than the sum of (i) Excluded Earnings, if any, since December 31, 1991, and (ii) \$20,000,000; (b) Stock Payments made more than 40 days after the commencement, and prior to the expiration, of any Restricted Period shall not exceed 65% of the Company's Net Income during such Restricted Period; and (c) the Company will not authorize a Stock Payment if there has occurred and is continuing an event of default under subsections (a) and (b) of Section 1 of Article XI of the Original Indenture.

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

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

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

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

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

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

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

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

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

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

AQUA AMERICA, INC.

\$15,000,000 4.62% Senior Notes, Series A,
due June 24, 2021

\$20,000,000 4.83% Senior Notes, Series B,
due June 24, 2024

\$35,000,000 5.22% Senior Notes, Series C,
due June 24, 2028

NOTE PURCHASE AGREEMENT

DATED AS OF JUNE 24, 2010

Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes, assessments, charges or levies in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Subsidiaries taken as a whole.

Section 9.5. Corporate Existence, Etc. Subject to **Sections 10.3** and **10.4**, the Company will at all times preserve and keep in full force and effect its corporate existence, and will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Company or a Wholly-Owned Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

Section 9.6. Designation of Subsidiaries. The Company may from time to time cause any Subsidiary acquired after the date of this Agreement to be designated as an Unrestricted Subsidiary or any Unrestricted Subsidiary to be designated as a Restricted Subsidiary, *provided, however,* that at the time of such designation and immediately after giving effect thereto, no Default or Event of Default would exist under the terms of this Agreement, and *provided, further,* that once a Subsidiary has been designated an Unrestricted Subsidiary, it shall not thereafter be redesignated as a Restricted Subsidiary on more than one occasion. Within ten days following any designation described above, the Company will deliver to each Purchaser a notice of such designation accompanied by a certificate signed by a Senior Financial Officer of the Company certifying compliance with all requirements of this **Section 9.6** and setting forth all information required in order to establish such compliance.

Section 9.7. Subsidiary Guaranty. (a) If at any time any Subsidiary of the Company shall become a co-obligor under, or guarantor of Debt outstanding under, the Bank Credit Agreement (a "*Subsidiary Guarantor*"), then concurrently with any such event the Subsidiary Guarantor shall execute and deliver to the holders of the Notes an unconditional guarantee of the Notes which shall be in form and substance satisfactory to the Required Holders, and (b) deliver such proof of corporate or other action, incumbency of officers, opinions of counsel and other documents as is consistent with those delivered by the Company pursuant to **Section 4** on the Closing Date or as the Required Holders shall have reasonably requested.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Limitation on Debt. The Company will not permit Consolidated Debt (determined as of the last day of each fiscal quarter) to exceed 65% of Consolidated Total Capitalization as of such date.

Section 10.9. Acquisitions. The Company will not, and will not permit any Restricted Subsidiary to, make any acquisition of all or substantially all of the assets or capital stock of any business entity if at the time of such acquisition and after giving effect thereto, a Default or Event of Default shall exist.

Section 10.10. Unrestricted Subsidiaries. The Company will not at any time permit Unrestricted Subsidiaries to (i) own more than 40% of the Consolidated Total Assets of the Company and its Subsidiaries, or (ii) account for more than 40% of the consolidated gross revenues of the Company and its Subsidiaries, determined in each case in accordance with GAAP.

Section 10.11. Interest Coverage Covenant. Section 6.1(b) (the "*Interest Coverage Covenant*") of the Bank Credit Agreement in effect on the date of this Agreement (as such covenant may be amended or modified from time to time whether pursuant to an amendment to the Bank Credit Agreement in effect on the date of this Agreement or any new, restated or replacement Bank Credit Agreement) is hereby incorporated by reference into this Section 10.11. The Interest Coverage Covenant shall continue in effect until such time as the Interest Coverage Covenant shall have been eliminated from the Bank Credit Agreement or all indebtedness under the Bank Credit Agreement is repaid in full and all commitments related thereto are terminated; *provided*, that if at the time of any such repayment or the termination of any such commitment a Default or Event of Default shall exist under this Agreement, then the Interest Coverage Covenant shall continue in full force and effect so long as such Default or Event of Default continues to exist. If at any time a Default or Event of Default exists under the Interest Coverage Covenant, no modification or waiver of the Interest Coverage Covenant shall be effective unless the Required Holders shall have consented thereto. Promptly, but in no event more than 5 Business Days following the execution of any Bank Credit Agreement (or any amendment thereto) which changes or eliminates the Interest Coverage Ratio, the Company shall furnish each holder of the Notes with a copy of such agreement.

SECTION 11. EVENTS OF DEFAULT.

An "*Event of Default*" shall exist if any of the following conditions or events shall occur and be continuing:

- (a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or
- (b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or
- (c) the Company defaults in the performance of or compliance with any term contained in **Section 8.5, 10.1, 10.2, 10.3, 10.4, 10.5 or 10.11**; or
- (d) the Company defaults in the performance of or compliance with any Material term contained herein (other than those referred to in paragraphs (a), (b) and (c))

authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in Philadelphia, Pennsylvania or New York, New York are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Change in Control" is defined in **Section 8.7**.

"Closing" is defined in **Section 3**.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means Aqua America, Inc., a Pennsylvania corporation.

"Confidential Information" is defined in **Section 20**.

"Consolidated Debt" means, as of any date of determination, the total of all Debt of the Company and its Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

"Consolidated Funded Debt" means, as of any date of determination, the total of all Funded Debt of the Company and its Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

"Consolidated Net Worth" means, as of any date of determination, the sum of (i) the par value (or value stated on the books of the corporation) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Company and its Subsidiaries plus (ii) the amount of the paid-in capital and retained earnings of the Company and its Subsidiaries, in each case as such amounts would be shown on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP.

"Consolidated Total Assets" means, as of any date of determination, the total amount of all assets of the Company and its Subsidiaries, as such amounts would be shown on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP.

EXECUTION COPY

AQUA PENNSYLVANIA, INC.

\$40,000,000 5.66% Senior Notes
due December 28, 2014

NOTE PURCHASE AGREEMENT

DATED AS OF DECEMBER 28, 2007

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Limitation on Debt. The Company will not permit Consolidated Debt (determined as of the last day of each fiscal quarter) to exceed 62% of Consolidated Total Capitalization as of such date.

Section 10.2. Limitation on Liens. The Company will not, and will not permit any Subsidiary to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges that are not yet due and payable or the payment of which is not at the time required by **Section 9.4**; *provided*, any such tax, assessment or other governmental charge shall be paid prior to the commencement of any proceedings to foreclose any Lien related thereto;

(b) any attachment or judgment Lien, unless the judgment it secures shall not, within 60 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within 60 days after the expiration of any such stay;

(c) Liens incidental to the conduct of business or the ownership of properties and assets (including landlords', carriers', warehousemen's, mechanics', materialmen's and other similar Liens for sums not yet due and payable or which are being contested in good faith by appropriate proceedings diligently conducted) and Liens to secure the performance of bids, tenders, leases, or trade contracts, or to secure statutory obligations (including obligations under workers compensation, unemployment insurance and other social security legislation), surety or appeal bonds or other Liens incurred in the ordinary course of business and not in connection with the borrowing of money;

(d) leases or subleases granted to others, zoning restrictions, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to the ownership of property or assets or the ordinary conduct of the business of the Company or any of its Subsidiaries, *provided* that such Liens do not, materially impair the use of such property and which are not violated in any material respect by the existing or proposed use by the Company and its Subsidiaries of the properties subject to such Liens;

(e) Liens securing Debt of a Subsidiary to the Company or to a Subsidiary;

(f) Liens created under indentures, mortgages and deeds of trust securing Debt of the Company or a Subsidiary;

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Change in Control" is defined in Section 8.7.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"Company" means Aqua Pennsylvania, Inc., a Pennsylvania corporation.

"Confidential Information" is defined in Section 20.

"Consolidated Debt" means, as of any date of determination, the total of all Debt of the Company and its Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

"Consolidated Funded Debt" means, as of any date of determination, the total of all Funded Debt of the Company and its Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP.

"Consolidated Net Worth" means, as of any date of determination, the sum of (i) the par value (or value stated on the books of the corporation) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Company and its Subsidiaries plus (ii) the amount of the paid-in capital and retained earnings of the Company and its Subsidiaries, in each case as such amounts would be shown on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP.

"Consolidated Total Assets" means, as of any date of determination, the total amount of all assets of the Company and its Subsidiaries, as such amounts would be shown on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP.

"Consolidated Total Capitalization" means, as of any date of determination, the sum of (i) Consolidated Funded Debt and (ii) Consolidated Net Worth.

"Debt" means, with respect to any Person, without duplication,

- (a) its liabilities for borrowed money;
- (b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable and other accrued liabilities arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);
- (c) its Capital Lease Obligations;
- (d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);
- (e) all non-contingent liabilities in respect of reimbursement agreements or similar agreements in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions;
- (f) Swaps of such Person; and
- (g) Guaranties of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Debt of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means with respect to the Notes, that rate of interest per annum that is the greater of (i) 7.66% per annum, or (ii) 2% over the rate of interest publicly announced by PNC Bank, N.A. in New York, New York as its "base" or "prime" rate.

"Environmental Laws" means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.