

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM S-8

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

AQUA AMERICA, INC.

(Exact Name of Registrant as Specified in its Charter)

Pennsylvania
(State or Other Jurisdiction of Incorporation or Organization)

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

**762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489**
(Address and Zip Code of Principal Executive Offices)

AQUA AMERICA, INC. 2009 EXECUTIVE DEFERRAL PLAN
(Full Title of the Plan)

Roy H. Stahl
Chief Administrative Officer and General Counsel
Aqua America, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489
(610) 527-8000
(Name, Address, Zip Code and Telephone Number of Agent for Service)

Copy of all Communications to:

Brian C. Miner
Morgan, Lewis & Bockius LLP
1701 Market Street
Philadelphia, PA 19103
(215) 963-5000

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Deferred Compensation Obligations (1)	\$20,000,000	100%	\$ 20,000,000	\$ 786

- (1) The deferred compensation obligations under the Aqua America, Inc. 2009 Executive Deferral Plan are unsecured general obligations of Aqua America, Inc. to pay deferred compensation in the future in accordance with the terms of the Aqua America, Inc. 2009 Executive Deferral Plan.
- (2) Estimated solely for the purpose of calculating the amount of the registration fee pursuant to Rule 457(h) under the Securities Act.

PART II
INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference.

The following documents previously filed with the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") are incorporated in this registration statement by reference:

- (a) Our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the Commission on February 27, 2008 (including portions of our definitive Proxy Statement for the 2008 Annual Meeting of Shareholders incorporated therein by reference);
- (b) Our Quarterly Reports on Form 10-Q for quarters ended March 31, 2008, June 30, 2008 and September 30, 2008, filed with the Commission on May 9, 2008, August 8, 2008 and November 7, 2008, respectively; and
- (c) Our Current Reports on Form 8-K filed with the Commission on April 24, 2008, May 29, 2008 and July 3, 2008.

In addition, all documents that we file pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Registration Statement and prior to the filing of a post-effective amendment which indicates that all securities offered hereby have been sold or which de-registers all securities then remaining unsold shall be deemed to be incorporated by reference into this Registration Statement and to be a part hereof from the date of filing of such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Registration Statement to the extent that a statement contained herein or in any subsequently filed document which also is incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed to constitute a part of this Registration Statement except as so modified or superseded.

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 Registration Statement by reference to our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, have been so incorporated in reliance on the reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

If, and only if, PricewaterhouseCoopers LLP consents to the incorporation by reference in this Registration Statement of its reports relating to audited financial statements and effectiveness of internal control over financial reporting included in a document subsequently filed by the Registrant, such audited financial statements and management's assessment of the effectiveness of internal control over financial reporting shall be incorporated herein in reliance upon such reports of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

Item 4. Description of Securities.

Under the Aqua America, Inc. 2009 Executive Deferral Plan (the "Plan"), any individual employed by the Registrant as an officer, senior manager or other highly compensated employee, on a regular, full-time basis may participate in the Plan if designated by the Compensation Committee of the Registrant's Board of Directors (the "Committee"). Prior to the beginning of any calendar year or within 30 days after first becoming eligible to participate in the Plan, eligible employees may participate in the Plan by making an irrevocable election to defer an amount equal to a whole percentage or dollar amount of his or her base salary and/or bonus to be earned for the upcoming calendar year. When an eligible employee elects to defer any portion of his or her base salary and/or bonus, the Registrant will create and maintain a book account ("Account") that will be credited with the elected contribution at the time such amount would otherwise have been paid. The Committee may set a minimum and maximum amount that may be deferred under the Plan, and may change the limits from time to time.

The Registrant will also credit to the Account for each calendar year an amount equal to the excess of the contribution that would have been made by the Registrant under the Aqua America, Inc. 401(k) Plan ("401(k) Plan") on the participant's behalf as an employer's matching contribution if it were not for the limitations imposed by the Internal Revenue Code (the "Code") over the amount actually contributed as an employer's matching contribution by the Registrant to the 401(k) Plan on the participant's behalf. Such credits shall be deemed to have occurred at the time such amounts would otherwise have been contributed to the 401(k) Plan or at such other time as is specified by the Registrant.

If an eligible employee is also a participant in the Aqua America Inc. Supplemental Executive Retirement Plan for Nicholas DeBenedictis ("SERP") or the Aqua America Inc. Supplemental Pension Plan for Salaried Employees ("Excess Plan"), he or she may elect in 2008 to have his or her SERP or Excess Plan benefit credited to the participant's Account at separation from service.

The amounts credited to a participant's Account will be deemed invested in one or more investment options, which may be individually chosen by each participant from investment alternatives made available from time to time under the Plan. In the absence of a valid investment election by the participant, his or her Account will be deemed to be invested in the manner selected by the Committee. Each participant's Account will be adjusted to reflect the investment performance of the selected investments. Gains, losses and income returns of deemed investments will be posted to the participant's Account periodically. The investment alternatives are for bookkeeping purposes only, and the Registrant is not obligated to invest in the investment alternatives specified by the participants.

A participant can determine how his or her Account will be distributed, by establishing in advance up to five separation distribution Accounts and up to five flexible distribution Accounts under the Plan. Pursuant to the participant's election, when the participant separates from employment, his or her separation distribution Accounts under the Plan will be distributed in a lump sum payment at specified dates or in annual installments, as elected by the participant (with deemed investment gains or losses continuing to be posted to the participant's Account for each subsequent calendar year). If the aggregate value of a participant's separation distribution Accounts is less than \$25,000 at separation from employment, the participant's separation distribution Accounts will be distributed in a lump sum payment. Also, if the participant's separation from employment is before the participant attains age 55, the participant's separation distribution Accounts will be distributed in a lump sum payment. Pursuant to a participant's election, his or her flexible distribution Accounts will be distributed on the dates specified by the participant in accordance with the terms of the Plan. If the participant is a key employee under section 409A of the Code, his or her Accounts that are payable upon separation from employment, may not be distributed earlier than the first day of the seventh month following the date of the participant's separation from employment.

The Registrant's obligations to pay the deferred compensation (as adjusted for deemed gains, losses and investment returns) in the future in accordance with the terms of the Plan ("Deferred Compensation Obligations") will constitute unsecured general obligations of the Registrant, payable solely out of the Registrant's general assets. The Registrant's Board of Directors may, but is not required to, authorize the establishment of a "rabbi" trust with respect to the Plan. In any event, participants in the Plan will have no right to any of the Registrant's specific assets or, if applicable, any trust assets. It is the Registrant's intention that the Plan be unfunded for tax purposes and for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended.

The Deferred Compensation Obligations are not convertible into any other security of the Registrant. The Deferred Compensation Obligations will not have the benefit of a negative pledge or any other affirmative covenant on the part of the Registrant. No trustee has been appointed having the authority to take action with respect to the Deferred Compensation Obligations and each participant will be responsible for acting independently with respect to, among other things, the giving of notices, responding to any requests for consents, waivers or amendments pertaining to the Deferred Compensation Obligations, enforcing covenants and taking action upon a default.

A participant's rights under the Plan (including its rights to payment of the Deferred Compensation Obligations) cannot be assigned, transferred, pledged or encumbered.

The Registrant has the right to amend or terminate the Plan at any time without prior notice to or consent of any person. However, no such amendment or terminations shall have the effect of divesting a participant of the benefit which the participant would otherwise receive under the Plan at the time of such amendment or termination.

Item 5. Interests of Named Experts and Counsel.

Not applicable.

Item 6. Indemnification of Directors and Officers.

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

Section 1713 of the PBCL permits the shareholders to adopt a bylaw provision relieving a director (but not an officer) of personal liability for monetary damages except where (i) the director has breached the applicable standard of care, and (ii) such conduct constitutes self-dealing, willful misconduct or recklessness. This Section also provides that a director may not be relieved of liability for the payment

of taxes pursuant to any federal, state or local law or of liability or responsibility under a criminal statute. Section 4.01 of the Registrant's bylaws limits the liability of any director of the Registrant to the fullest extent permitted by Section 1713 of the PBCL.

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

Article VII of the bylaws provides, except as expressly prohibited by law, an unconditional right to indemnification for expenses and any liability paid or incurred by any director or officer of the Registrant, or any other person designated by the board of directors as an indemnified representative, in connection with any actual or threatened claim, action, suit or proceeding (including derivative suits) in which he or she may be involved by reason of being or having been a director, officer, employee or agent of the Registrant or, at the request of the Registrant, of another corporation, partnership, joint venture, trust, employee benefit plan or other entity. The bylaws specifically authorize indemnification against both judgments and amounts paid in settlement of derivative suits, unlike Section 1742 of the PBCL which authorizes indemnification only of expenses incurred in defending and in settlement of a derivative action. In addition, Article VII of the bylaws also allows indemnification for punitive damages and liabilities incurred under the federal securities laws.

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

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

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

Item 7. Exemption from Registration Claimed.

Not applicable.

Item 8. Exhibits.

A list of exhibits filed herewith or incorporated by reference is contained in the Exhibit Index immediately following the signature pages and is incorporated herein by reference.

Item 9. Undertakings.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information in the Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

provided, however, that paragraphs (1)(i) and (1)(ii) of this section shall not apply if the information required to be included in a post-effective amendment by those clauses is contained in periodic reports filed with or furnished to the Commission by the Registrant pursuant to section 13 or section 15(d) of the Exchange Act that are incorporated by reference into this Registration Statement.

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

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report to security holders that is

incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X are not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Bryn Mawr, Commonwealth of Pennsylvania, on December 10, 2008.

Aqua America, Inc.

By: /s/ Nicholas DeBenedictis

Name: Nicholas DeBenedictis

Title: Chairman, President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS:

That the undersigned officers and directors of Aqua America, Inc., a Pennsylvania corporation, do hereby constitute and appoint Roy H. Stahl, Chief Administrative Officer and General Counsel, and David P. Smeltzer, Chief Financial Officer, and each of them, the lawful attorneys-in-fact and agents with full power and authority to do any and all acts and things and to execute any and all instruments which said attorneys and agents, and any one of them, determine may be necessary or advisable or required to enable said corporation to comply with the Securities Act of 1933, and any rules or regulations or requirements of the Securities and Exchange Commission in connection with this Registration Statement. Without limiting the generality of the foregoing power and authority, the powers granted include the power and authority to sign the names of the undersigned officers and directors in the capacities indicated below to this Registration Statement, and to any and all instruments or documents filed as part of or in conjunction with this Registration Statement or amendments or supplements thereof, and each of the undersigned hereby ratifies and confirms all that said attorneys and agents, or any one of them, shall do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

IN WITNESS WHEREOF, each of the undersigned has executed this Power of Attorney as of the date indicated.

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Nicholas DeBenedictis</u> Nicholas DeBenedictis	Chairman, President and Chief Executive Officer (Principal Executive Officer)	December 10, 2008
<u>/s/ David P. Smeltzer</u> David P. Smeltzer	Chief Financial Officer (Principal Financial Officer)	December 10, 2008
<u>/s/ Robert A. Rubin</u> Robert A. Rubin	Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	December 10, 2008

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mary C. Carroll</u> Mary C. Carroll	Director	December 10, 2008
<u>/s/ Richard H. Glanton</u> Richard H. Glanton	Director	December 10, 2008
<u>/s/ Lon R. Greenberg</u> Lon R. Greenberg	Director	December 10, 2008
<u>/s/ William P. Hankowsky</u> William P. Hankowsky	Director	December 10, 2008
<u>/s/ Dr. Constantine Papadakis</u> Dr. Constantine Papadakis	Director	December 10, 2008
<u>/s/ Ellen T. Ruff</u> Ellen T. Ruff	Director	December 10, 2008
<u>/s/ Richard L. Smoot</u> Richard L. Smoot	Director	December 10, 2008
<u>/s/ Andrew J. Sordoni,III</u> Andrew J. Sordoni, III	Director	December 10, 2008

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
4.1	Aqua America, Inc. 2009 Executive Deferral Plan
5.1	Opinion of Morgan, Lewis & Bockius LLP
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of Morgan, Lewis & Bockius LLP (included in Exhibit 5.1 filed herewith)
24.1	Power of Attorney (included on signature pages hereto)

AQUA AMERICA, INC.
2009 EXECUTIVE DEFERRAL PLAN

As Amended and Restated Effective January 1, 2009

In recognition of the services provided by certain key employees, the Board of Directors of Aqua America, Inc. maintains the 2005 Executive Deferral Plan to make additional retirement benefits available to key employees. The 2005 Executive Deferral Plan replaced the Philadelphia Suburban Corporation Executive Deferral Plan (the "Prior Executive Deferral Plan") and no further deferrals were credited under the Prior Executive Deferral Plan after the effective date of the 2005 Executive Deferral Plan. This Plan is an amendment and restatement of the 2005 Executive Deferral Plan and is effective as of January 1, 2009. Benefit payments for employees whose employment with Aqua America, Inc. terminated prior to November 30, 2008 are governed by the 2005 Executive Deferral Plan.

ARTICLE 1

Definitions

- 1.1 "Account" means a bookkeeping account established pursuant to Section 3.1 which reflects the total amount standing to the credit of the Participant under the Plan.
- 1.2 "Affiliated Company" means any affiliate or subsidiary of the Company.
- 1.3 "Base Salary" means the annual amount of base salary and wages paid by the Employer to an Employee for any calendar year of employment, but excluding all Employer contributions to benefit plans and all other forms of compensation.
- 1.4 "Beneficiary" means the person(s) designated by a Participant to receive any benefits payable to a Beneficiary under this Plan subsequent to the Participant's death. The Company shall provide a form for this purpose. In the event a Participant has not filed a Beneficiary designation with the Company, the Beneficiary shall be the Participant's estate.
- 1.5 "Board" means the Board of Directors of the Company.
- 1.6 "Bonus" shall mean bonus compensation due to the Employee, if any, under the Company's Incentive Compensation Plan.
- 1.7 "Code" means the Internal Revenue Code of 1986, as amended.
- 1.8 "Committee" means the Compensation Committee of the Board, which shall act for the Company in making decisions and performing specified duties with respect to the Plan.
- 1.9 "Company" means Aqua America, Inc. and its successors.

- 1.10 "Effective Date" of the restated Plan is January 1, 2009.
- 1.11 "Employee" means any individual employed by the Employer as an officer, senior manager or other highly compensated employee, as designated by the Committee, on a regular, full-time basis (in accordance with the personnel policies and practices of the Employer).
- 1.12 "Employer" means the Company and/or any Participating Employer, either collectively or individually, as the context requires.
- 1.13 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
- 1.14 "Excess Plan" means the Company's Supplemental Pension Benefit Plan for Salaried Employees.
- 1.15 "Flexible Distribution Account" means a distribution account described in Section 4.4.
- 1.16 "Key Employee" means a Participant who, at any time during the 12-month period ending on the identification date, is a "specified employee" within the meaning of section 409A of the Code, as determined by the Committee or its delegate. The determination of Key Employees, including the number and identity of persons considered specified employees and the identification date, shall be made by the Committee or its delegate in accordance with the provisions of sections 416(i) and 409A of the Code and the regulations issued thereunder.
- 1.17 "Participant" means any Employee who satisfies the eligibility requirements set forth in Article 2. In the event of the death or incompetency of a Participant, the term shall mean his personal representative or guardian. An individual shall remain a Participant until that individual has received full distribution of any amount credited to the Participant's Account.
- 1.18 "Participating Employer" means any Affiliated Company which is designated by the Committee as a Participating Employer under the Plan. The Committee or a Participating Employer may terminate such designation at any time, but until such acceptance has been terminated, all the provisions of the Plan and amendments thereto shall apply to the Employees of the Participating Employer. In the event the designation as a Participating Employer is terminated by the board of directors of an Affiliated Company, the Plan shall be deemed terminated only with respect to such Participating Employer.
- 1.19 "Plan" means the Aqua America, Inc. 2009 Executive Deferral Plan as the same is set forth herein, and as it may be amended from time to time.
- 1.20 "Plan Year" means the calendar year.

- 1.21 “Re-Deferral Election” means an election to re-defer the payment date of an Account as described in Section 4.5.
- 1.22 “Retirement Eligible Date” means the first date on which the Participant has attained age 55 with the Company and its affiliated companies.
- 1.23 “Separates from Employment” or “Separation from Employment” means a Participant’s separation from service with the Employer within the meaning of section 409A of the Code and the regulations promulgated thereunder. In general, an employee Separates from Employment with the Employer if the employee dies, retires, or otherwise has a termination of employment with the Employer. However, for purposes of this definition, the employment relationship is treated as continuing intact while the individual is on military leave, sick leave, or other bona fide leave of absence (such as temporary employment by the government) if the period of such leave does not exceed six months, or if longer, so long as the individual’s right to reemployment with the Employer is provided either by statute or by contract. If the period exceeds six months and the individual does not retain a right to reemployment under an applicable statute or by contract, the employment relationship is deemed to terminate on the first day immediately following such six-month period. Notwithstanding the foregoing, where a leave of absence is due to any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than six months, where such impairment causes the Employee to be unable to perform the duties of his or her position of employment or any substantially similar position of employment, the employment relationship is deemed to continue for up to a 29-month period of absence (or until his or her employment is terminated by the Employer, if earlier), consistent with section 409A. The default rules of Treas. Reg. § 1.409A-1(h) shall apply except for purposes of determining if the level of bona fide services will permanently decrease from the average level of bona fide services performed over the immediately preceding 36-month period (or full period of service, if shorter). In applying such rules, 33-1/3% shall be substituted for 20%.
- 1.24 “Separation Distribution Account” means a distribution account described in Section 4.3.
- 1.25 “SERP” means the Company’s Supplemental Executive Retirement Plan for Nicholas DeBenedictis.
- 1.26 “Transfer Date” means the later of a Participant’s Separation from Employment or age 55, as described in Section 3.7.
- 1.27 “401(k) Plan” means the Aqua America, Inc. 401(k) Plan, as it may be amended from time to time.

ARTICLE 2

Eligibility

2.1 Participation.

Each Employee shall be eligible to participate in the Plan on such date as is specified by the Committee. The Committee shall designate from time to time the Employees that are eligible to participate in the Plan. Each such Employee may elect to participate in the Plan by filing a completed and fully executed enrollment form with the Company in the manner and form prescribed by the Company. Any election to defer compensation in accordance with Article III must be made no later than the applicable deadline prescribed in Section 3.2 or 3.3.

ARTICLE 3

Benefits

3.1 Account.

The Employer shall create and maintain on its books an Account for each Participant, to which it shall credit amounts contributed to the Plan pursuant to this Article 3. The Employer shall also credit each Participant's Account with deemed earnings for each Plan Year in accordance with the provisions of Article 7 hereof.

3.2 Deferral Elections for Base Salary.

Prior to the commencement of any Plan Year or within 30 days after first being eligible to participate in this Plan (or any other elective account balance deferred compensation plan within the meaning of section 409A of the Code maintained by the Employer), a Participant may elect to have the Employer contribute to the Participant's Account (as a result of payroll reduction) an amount equal to any whole percentage or dollar amount of the Participant's Base Salary for services to be rendered during such Plan Year. If such election is filed by an Eligible Employee within 30 days after first being eligible to participate in this Plan, such election shall apply only to amounts of Base Salary earned with respect to services performed after the date on which the Eligible Employee files his or her election with the Company. If an election is made to have a contribution credited to the Participant's Account for a Plan Year, the credit shall be made at the time that such amount would otherwise have been paid and shall reduce the Participant's Base Salary, as applicable with respect to that Plan Year by a corresponding amount. The Committee may establish minimum or maximum amounts that may be deferred under this Section and may change such standards from time to time. Any such limits shall be communicated by the Committee to the Participants prior to the commencement of a Plan Year.

3.3 Deferral Elections for Bonuses.

Prior to December 31 of the prior Plan Year, a Participant may elect to have the Employer credit to the Participant's Account (as a result of payroll reduction) an amount equal to any whole percentage or dollar amount of the Participant's Bonus, if any, to be earned for the Plan Year. If an election is made to have a Bonus contribution credited to the Participant's Account for a Plan Year, the credit shall be made at the time that such amount would otherwise have been paid and shall reduce the Participant's Bonus with respect to that Plan Year by a corresponding amount. The Committee may establish minimum or maximum amounts that may be deferred under this Section and may change such standards from time to time. Any such limits shall be communicated by the Committee to the Participants prior to the commencement of a Plan Year.

3.4 Matching Credits.

For each Plan Year, the Employer shall also credit to the Participant's Account an amount equal to the excess of (i) the Employer Matching Contribution (as defined in the 401(k) Plan) that would have been made by the Employer under the 401(k) Plan on behalf of the Participant if it were not for the limitations imposed by the Code over (ii) the amount actually contributed by the Employer to the 401(k) Plan as an Employer Matching Contribution on behalf of the Participant. The matching contribution credited under the Plan for a Participant for a Plan Year shall not exceed the Employer Matching Contribution that would have been provided under the 401(k) Plan in absence of any plan-based restrictions that reflect limits on qualified plan contributions under the Code, in accordance with section 409A of the Code. Such credits shall be deemed to have occurred at the time such amounts would otherwise have been contributed to the 401(k) Plan or at such other time as is specified by the Employer.

3.5 Election of Form of Payment.

A Participant may elect the form of payment, as described in Section 4.1 below, with respect to all amounts credited under the Plan for a Plan Year, provided that the election is made no later than December 31 of the prior Plan Year or as described below. A newly eligible Participant may elect the form of payment for amounts credited under the Plan for the first Plan Year no later than 30 days after the Participant is first eligible to participate in this Plan (or any other elective account balance deferred compensation plan within the meaning of Code section 409A maintained by the Employer). An election as to the form of payment for any Plan Year shall apply consistently to deferred Base Salary pursuant to Section 3.2, deferred Bonus pursuant to Section 3.3, and amounts credited to the Participant's Account pursuant to Section 3.4.

3.6 Election Requirements.

Any elections under this Article shall be made in writing on such form and at such time as the Company shall specify consistent with the provisions of Sections 3.2, 3.3, 3.5 and 3.7. Any election made by a Participant to defer Base Salary or Bonus pursuant to Section 3.2 or 3.3 shall become irrevocable as of the deadline for the election; provided, however, that a Participant's election to defer Base Salary or Bonus pursuant to Section 3.2 or 3.3 shall be cancelled with respect to the remainder of the Plan Year in the event of a distribution to the Participant due to an unforeseeable emergency pursuant to Section 4.7 or in the event of a hardship distribution to the Participant pursuant to §1.401(k)-1(d)(3) under a qualified retirement plan maintained by the Company, if permitted by section 409A. Any election to defer Base Salary or Bonus pursuant to Section 3.2 or 3.3 for the Plan Year following a hardship distribution pursuant to §1.401(k)-1(d)(3) shall not become effective before the end of the six-month suspension required by the 401(k) plan. All deferrals under the Plan shall be made in accordance with section 409A of the Code and the regulations thereunder.

3.7 Elections with respect to SERP and Excess Plan Benefits.

In addition to the foregoing, a Participant who is also a participant in the SERP or Excess Plan can elect in 2008 to have his or her lump sum benefit under the SERP or the Excess Plan credited to the Participant's Account under this Plan as of the later of the Participant's Separation from Employment or attainment of age 55 (which is referred to as the "Transfer Date"). The Participant shall elect in 2008 to have the SERP or Excess Plan benefit credited to up to five Separation Distribution Accounts for the Participant as of the Transfer Date, and the Participant shall elect in 2008 the form of distribution of the Separation Distribution Accounts.

ARTICLE 4

Distributions to Participants

4.1 Distribution Accounts.

A Participant may elect to have amounts deferred for a particular Plan Year under Sections 3.2, 3.3 and 3.4 be credited to one or more of the following accounts: (1) up to five Separation Distribution Accounts as described in Section 4.3 or (2) up to five Flexible Distribution Accounts as described in Section 4.4. A Participant may elect to have amounts credited from the SERP or Excess Plan pursuant to Section 3.7 be credited to up to five Separation Distribution Accounts as described in Section 4.2.

4.2 Amounts Credited from SERP or Excess Plan.

For amounts credited from the SERP or Excess Plan pursuant to Section 3.7, a Participant may establish up to five Separation Distribution Accounts, with payment

dates based on specified dates after the Transfer Date pursuant to the Participant's 2008 election under the SERP or Excess Plan, as applicable, and this Plan. For example, the Participant may establish five Separation Distribution Accounts for amounts credited under Section 3.7, with payment dates on the first, second, third, fourth and fifth anniversaries of the Transfer Date. These amounts credited to a Separation Distribution Account under this Section 4.2 will be distributed as follows:

- (a) The amounts credited to the Separation Distribution Account shall be paid in accordance with the Participant's election, in a lump sum or in annual installments over two to 15 years, on the dates specified by the Participant under the Plan.
- (b) If a Participant does not elect the form and timing of distribution from a Separation Distribution Account, distribution will be made in the form of a lump sum payment within 60 days following the Participant's Transfer Date, except as otherwise required by section 409A. Notwithstanding the foregoing or any elections to the contrary, if the total amounts credited to the Participant's aggregate Separation Distribution Accounts under this Section 4.2 is less than \$25,000 at the Transfer Date, distribution shall be made in a lump sum payment within 60 days following the Transfer Date, except as otherwise required by section 409A.
- (c) If the Participant dies before the Transfer Date, any amounts credited from the SERP or Excess Plan as of the Transfer Date shall be paid within 60 days following the Transfer Date in a lump sum payment to the Participant's surviving spouse, notwithstanding any election to the contrary.
- (d) If the Participant dies on or after the Transfer Date, amounts credited from the SERP or Excess Plan shall be paid to the Participant's Beneficiary, in accordance with the Participant's election under the Plan as to the time and form of payment.

4.3 Separation Distribution Accounts for Deferrals Under Sections 3.2, 3.3 and 3.4.

For amounts other than amounts credited from the SERP or Excess Plan, a Participant may establish up to five Separation Distribution Accounts. These amounts credited to a Separation Distribution Account under this Section 4.3 will be distributed as follows:

- (a) If a Participant Separates from Employment on or after the Participant's Retirement Eligible Date, the amounts credited to the Separation Distribution Account shall be paid in accordance with the Participant's election, in a lump sum or in annual installments over two to 15 years on the dates specified by the Participant under the Plan.
- (b) If a Participant does not elect the form and timing of distribution from the Separation Distribution Account, distribution will be made in the form of a lump sum payment within 60 days following the Participant's Separation from Employment, except as otherwise required by section 409A. Notwithstanding the foregoing or any

election to the contrary, if the total amounts credited to the Participant's aggregate Separation Distribution Accounts under this Section 4.3 is less than \$25,000 at the Separation from Employment date, distribution shall be made in a lump sum payment within 60 days following the Participant's Separation from Employment, except as otherwise required by section 409A.

(c) If the Participant's Separation from Employment occurs (other than on account of death) before the Participant's Retirement Eligible Date, the Participant's Separation Distribution Account under this Section 4.3 shall be distributed in a lump sum payment within 60 days after Separation from Employment, except as otherwise required by section 409A of the Code.

(d) If the Participant dies (whether before or after Separation from Employment) before the Participant's Retirement Eligible Date, the Participant's Separation Distribution Account under this Section 4.3 shall be distributed to the Participant's Beneficiary in a lump sum within 60 days following the Participant's death. If the Participant dies on or after the Participant's Retirement Eligible Date, distributions shall be made to the Participant's Beneficiary in accordance with the Participant's election under the Plan as to the time and form of payment.

4.4 Flexible Distribution Accounts.

For amounts other than amounts credited from the SERP or Excess Plan, a Participant may establish up to five Flexible Distribution Accounts. A Participant who establishes a Flexible Distribution Account must designate a time of payment for the amounts to be credited to the Flexible Distribution Account at the time of the first deferral election to the Flexible Distribution Account. Distributions from each Flexible Distribution Account will be made in the form of a lump sum at the time specified by the Participant, unless the Participant changes the time and form of distribution in connection with a Re-Deferral Election as described in Section 4.5 below.

(a) For compensation earned and credited to a Flexible Distribution Account, under Sections 3.2, 3.3 and 3.4, the earliest permitted distribution may not occur before the third calendar year beginning after the calendar year for which the first deferral election is made to that Flexible Distribution Account. For example, if the Participant elects in 2008 to defer 2009 compensation to Flexible Distribution Account #1, the earliest that account may be distributed is 2011. If this earliest date is elected, the Participant may not make any further elections to defer compensation under Sections 3.2, 3.3 and 3.4 into that Flexible Distribution Account #1 after 2008. The Participant's distribution choices for deferral elections made after 2008 would be limited to another Flexible Distribution Account with a distribution date after 2011, or a Separation Distribution Account.

(b) If the Participant's Separation from Employment occurs (other than on account of death) before the calendar year in which the Flexible Distribution Account is scheduled to be distributed, distribution shall be made at the time elected by the

Participant before his Separation from Employment; provided, however, that the Participant may change the time and form of distribution by making a Re-Deferral Election as described in Section 4.5 below.

(c) If the Participant dies before the calendar year in which the Flexible Distribution Account is scheduled to be distributed, the Participant's Flexible Distribution Account shall be distributed to the Participant's Beneficiary in a lump sum within 60 days following the Participant's death. If the Participant dies in the calendar year in which the Flexible Distribution Account is scheduled to be distributed or at any time thereafter, distributions shall be made to the Participant's Beneficiary in accordance with the Participant's election.

4.5 Re-Deferral Elections.

Subject to the timing requirements described below, Participants may change their elections regarding the time and form of distribution of a Separation Distribution Account or Flexible Distribution Account (a "*Re-Deferral Election*"), as follows:

(a) A Participant who has previously elected to receive his or her distribution in the form of a lump sum (or whose distribution is payable in a lump sum by operation of rules of the Plan) may elect to re-defer all or any part of that scheduled distribution to a later date. A Re-Deferral Election with respect to a Participant who has previously elected to receive his distribution in a form other than a lump sum must apply the Re-Deferral Election to the entire distribution amount.

(b) Any Re-Deferral Election (i) will be irrevocable when made, (ii) may not accelerate the first scheduled payment and (iii) will not be effective as to any payment scheduled to be made within 12 months of the Re-Deferral Election. Other than a Re-Deferral Election made in connection with a Participant's death, the first payment to which such Re-Deferral Election applies must be deferred for at least five additional years. All Re-Deferral Elections must be made in accordance with section 409A of the Code.

(c) A Participant may elect to re-defer receipt of his Separation Distribution Account, or any of his Flexible Distribution Accounts, that were the subject of an earlier Re-Deferral Election by submitting a new Re-Deferral Election before the tenth anniversary of the Participant's Separation from Employment. No Re-Deferral Election may be made after the tenth anniversary of the Participant's Separation from Employment.

(d) In addition, in no event may a Participant make a Re-Deferral Election with respect to a Separation Distribution Account unless the Participant's Separation Distribution Account to be re-deferred is at least \$25,000 at the time of the election.

(e) Notwithstanding the foregoing, the Company reserves the right to reject any new Re-Deferral Election, in which case the applicable Account will be

distributed in accordance with the Participant's deferral election or Re-Deferral Election then in effect.

4.6 Section 409A Six-Month Delay.

Notwithstanding any provision of the Plan to the contrary, distributions upon a Separation from Employment to a Participant who is a Key Employee may not be made earlier than the first day of the seventh month following the date of the Participant's Separation from Employment, as required by section 409A of the Code and any regulations issued thereunder.

Unless otherwise required by section 409A, the six month delay described in this Section shall not apply to distributions made:

(a) to the Participant's Beneficiary upon the Participant's death;

(b) to the extent necessary to fulfill a domestic relations order (as defined in section 414(p)(1)(B) of the Code);

(c) to the extent reasonably necessary to avoid the violation of an applicable Federal, state, local or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the Participant to participate in activities in the normal course of his position in which the Participant would otherwise not be able to participate under an applicable rule). For purposes of this subsection, a payment is reasonably necessary to avoid the violation of an applicable Federal, state, local or foreign ethics law or conflicts of interest law if the payment is a necessary part of a course of action that results in compliance with a Federal, state, local or foreign ethics law or conflicts of interest law that would be violated regardless of whether other actions would also result in compliance with the Federal, state, local or foreign ethics law or conflicts of interest law. For this purpose a provision of foreign law is considered applicable only to foreign earned income (as defined under section 911(b)(1) of the Code without regard to section 911(b)(1)(B)(iv) of the Code and without regard to the requirement that the income be attributable to services performed during the period described in section 911(d)(1)(A) or (B)) from sources within the foreign country that promulgated such law;

(d) to pay the Federal Insurance Contribution Act (FICA) tax imposed under section 1301 of the Code, section 3121(a) of the Code, and section 3121(v)(2) of the Code; or

(e) to pay the income tax at source on wages imposed under section 3401 of the Code or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA amount, and to pay the additional income tax at source on wages attributable to the pyramiding section 3401 of the Code wages and taxes. The total payment made pursuant to this subsection must not exceed the aggregate of the FICA as permitted under section 409A of the Code.

4.7 Hardship.

In the event that a Participant incurs an “unforeseeable emergency” while employed by the Company, as determined by the Committee, the Participant may apply, in writing, for a withdrawal of all or a portion of the balance credited to the Participant’s Account in the form of a lump sum in cash. All determinations by the Committee regarding the existence of an unforeseeable emergency shall be made in accordance with section 409A of the Code. The Committee shall determine whether to permit such a withdrawal and, based upon the Participant’s application, the amount necessary to satisfy the unforeseeable emergency, which shall be distributed in a single sum within 30 days after the Committee’s determination. Such a request shall be approved, however, only upon a finding that the Participant has suffered a severe financial hardship which has resulted from an illness or accident of the Participant, the Participant’s spouse, the Participant’s Beneficiary, or a dependent (as defined in section 152 of the Code without regard to Section 152(b)(1), (b)(2), or (d)(1)(B)) of the Participant, loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to the home not otherwise covered by insurance), other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the Participant’s control, and then only in an amount necessary to eliminate such hardship plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution, after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or by liquidation of the Participant’s assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). Other circumstances that may result in an unforeseeable emergency include the imminent foreclosure of or eviction from the Participant’s primary residence, the need to pay for medical expenses (including non-refundable deductibles and the costs of prescription medication), or the need to pay for the funeral expenses of the Participant’s spouse, the Participant’s Beneficiary, or a dependent (as defined in section 152(a) of the Code without regard to Section 152(b)(1), (b)(2), or (d)(1)(B)) of the Participant.

ARTICLE 5

Vesting

5.1 The balance credited to a Participant’s Account shall be fully vested at all times.

ARTICLE 6

Funding

6.1 The Board may, but shall not be required to, authorize the establishment of a trust by the Employer to serve as the funding vehicle for the benefits described in Article 3 hereof. In any event, the Employer’s obligation hereunder shall constitute a general, unsecured obligation, payable solely out of its general assets, and no Participant shall have any right to any specific assets of the Employer. In addition, it is the intention of

the Employer that the Plan be unfunded for tax purposes and for purposes of Title I of ERISA.

ARTICLE 7

Investments

- 7.1 For purposes of measuring the investment returns of a Participant's Account, the Participant may select the investment funds in which all or part of his Account shall be deemed to be invested, from the investment funds designated by the Committee. All investment directions shall be made with respect to deemed investments, and the Participant shall have no specific interest in any investment funds or assets of the Employer. A Participant shall make an investment designation by such method as the Company determines. An investment designation shall remain effective until another valid designation has been made by the Participant. The Participant may amend his investment designation at such time or times as permitted by the Company, and in accordance with such procedures as may be established by the Company. In the absence of a Participant election designating the deemed investment of his Account, a Participant shall be deemed to have elected that his Account be invested in the manner selected by the Committee for such circumstances.
- 7.2 Each Participant's Account shall be adjusted periodically to take into account the gains, losses and income returns of the deemed investment funds selected by the Participant. For any Plan Year, the Committee may determine to make available, and announce to the Participants the procedure to elect, other deemed forms of investment for the amounts credited to the Accounts. The Employer shall not be required to invest any funds in the forms of investment made available hereunder and, in any event, any such investments shall at all times remain the property of the Employer.

ARTICLE 8

Administration

- 8.1 The Committee shall have full power and authority to interpret the Plan, to prescribe, amend and rescind any rules, forms and procedures as it deems necessary or appropriate for the proper administration of the Plan and to make any other determinations and to take any other such actions as it deems necessary or advisable in carrying out its duties under the Plan. All action taken by the Committee arising out of or in connection with, the administration of the Plan or any rules adopted thereunder, shall in each case, lie within its sole discretion, and shall be final, conclusive and binding upon the Employer, the Board, all Employees, all beneficiaries of Employees and all persons and entities having an interest therein.
- 8.2 Members of the Committee shall serve without compensation for their services unless otherwise determined by the Board. All expenses of administering the Plan shall be paid by the Employer.

8.3 The Company shall indemnify and hold harmless each member of the Committee from any and all claims, losses, damages, expenses (including counsel fees) and liability (including any amounts paid in settlement of any claim or any other matter with the consent of the Board) arising from any act or omission of such member, except when the same is due to gross negligence or willful misconduct.

8.4 Any decisions, actions or interpretations to be made under the Plan by the Company, Employer or the Committee (other than in the administration of the Plan) shall be made in its sole discretion, not in any fiduciary capacity and need not be uniformly applied to similarly situated individuals and shall be final, binding and conclusive on all persons interested in the Plan.

8.5 Claims Procedure.

(a) Initial Claim for Benefits. A Participant, former Participant, or a Beneficiary (“Claimant”) may file with the Committee, a written claim for benefits (“Benefit Claim”), if the Claimant determines that the Plan has not provided all Claimant’s benefits under the Plan. If a Claimant files a Benefit Claim with the Committee, the Committee must render a decision within ninety (90) days of receiving such Benefit Claim, unless the Committee determines that special circumstances require an extension of time for processing the Benefit Claim.

If an extension is required, the Committee will notify the Claimant, in writing, of such extension prior to the end of the initial ninety (90) day period. The notice of extension shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit determination. The Committee will notify the Claimant of a decision on the Benefit Claim no later than one hundred and eighty (180) days after such Benefit Claim is filed.

If the Benefit Claim is denied by the Committee in whole or in part, the Committee will notify the Claimant of such adverse determination in writing. The notice of denial shall set forth the following elements in a manner calculated to be understood by the Claimant:

- (i) the specific reason or reasons for the adverse determination;
- (ii) the specific reference to Plan provisions on which the determination is based;
- (iii) a description of any additional material or information necessary for the Claimant to perfect the claim and an explanation of why such material or information is necessary;
- (iv) information as to the steps to be taken if the Claimant wishes to submit a request for review, including applicable time limits including the fact that any appeal of an adverse determination must be

submitted in writing to the Committee within sixty (60) days after receipt of the Committee's notice of denial; and

(v) the Claimant's right to bring a civil action under section 502(a) of ERISA.

(b) Appeal of Adverse Claim Determination for Benefits. If a Claimant disagrees with the denial of benefits, the Claimant or his authorized representative may request, in writing that the Committee review his claim ("Appealed Claim"). An Appealed Claim must be made within sixty (60) days after the Claimant receives a notice of denial of his Benefit Claim. If the Claimant does not file an Appealed Claim within sixty (60) days, the Committee's decision on the Benefit Claim will be final and binding.

If the Committee receives an Appealed Claim, it will conduct a full and fair review of its original adverse benefit determination with respect to the Claimant. The Committee will give any Claimant submitting an Appealed Claim the opportunity to submit written comments, documents, records, and other information relating to his claim for benefits. In conducting its review, the Committee shall consider any written statement or other evidence presented by the Claimant or his authorized representative in support of his claim, without regard to whether this information was submitted or considered in the initial benefit determination. The Committee shall give the Claimant and his authorized representative upon request and free of charge reasonable access to and copies of all documents, records, and other information relevant for the preparation of his claim.

After a full and fair review, the Committee shall respond to a Claimant's Appealed Claim within a reasonable period of time, but not later than sixty (60) days after its receipt of the Appealed Claim, unless the Committee determines that special circumstances require an extension of time for processing the Appealed Claim.

In the event that special circumstances require an extension of time for processing the Appealed Claim, the Committee will notify the Claimant of such extension prior to the end of the initial 60-day period. The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render a decision. The Committee shall then notify the Claimant of its decision not later than one hundred twenty (120) days after receipt of the Appealed Claim.

Any time the Committee denies an Appealed Claim, in whole or in part, the Committee will notify the Claimant of such denial in writing. The notice of denial of an Appealed Claim shall set forth the following elements in a manner calculated to be understood by the Claimant:

- (i) the specific reason or reasons for the adverse determination;
- (ii) the specific reference to Plan provisions on which the determination is based;

(iii) the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claimant's claim for benefits; and

(iv) a statement describing any voluntary appeal procedures offered by the plan and the Claimant's right to obtain the information about such procedures, and a statement of the Claimant's right to bring an action under section 502(a) of ERISA.

ARTICLE 9

Amendment

- 9.1 The Plan may be amended by the Committee at any time and from time to time all without prior notice to any person or entity; provided, however, that no such amendment shall have the effect of divesting a Participant of the benefit which the Participant would otherwise receive hereunder at the time the amendment is adopted. Without limiting the foregoing, the Committee may amend the Plan in any manner that it deems appropriate, including amending outstanding deferral elections, if necessary or appropriate to comply with changes to applicable law, without the consent of any Participant.

ARTICLE 10

Termination

- 10.1 Continuance of the Plan is completely voluntary and is not assumed as a contractual obligation of the Employer. The Committee, acting on behalf of the Employer, shall have the right to terminate the Plan in whole or in part at any time without prior notice to any person or entity; provided, however, that such termination is accomplished in accordance with section 409A of the Code and shall not have the effect of divesting a Participant of the benefit which the Participant would otherwise receive hereunder at the time of the termination. Without limiting the foregoing, the Committee may terminate the Plan or outstanding deferral elections as it deems appropriate, if necessary or appropriate to comply with changes to applicable law, without the consent of any Participant.

ARTICLE 11

Miscellaneous

- 11.1 Nothing contained herein (a) shall be deemed to exclude a Participant from any compensation, bonus, pension, insurance, severance pay or other benefit to which he otherwise is or might become entitled as an Employee or (b) shall be construed as conferring upon an Employee the right to continue in the employ of the Employer.

- 11.2 Any amounts payable hereunder shall not be deemed salary or other compensation to a Participant for the purposes of computing benefits to which the Participant may be entitled under any other arrangement established by the Employer for the benefit of its employees.
- 11.3 The rights and obligations created hereunder shall be binding on a Participant's heirs, executors and administrators and on the successors and assigns of the Employer.
- 11.4 The masculine pronoun whenever used shall include the feminine and the singular shall be construed as the plural, where applicable.
- 11.5 The provisions of the Plan shall be construed and applied under the laws of the Commonwealth of Pennsylvania.
- 11.6 The rights of any Participant under this Plan are personal and may not be assigned, transferred, pledged or encumbered. Any attempt to do so shall be void. In addition, a Participant's rights hereunder are not subject, in any manner, to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or the Participant's Beneficiary.
- 11.7 If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not effect any other provisions hereof and the Plan shall be construed and enforced as if such provisions had not been included.
- 11.8 The headings and captions herein are provided for convenience only, and shall not be construed as part of the Plan, and shall not be employed in the construction of the Plan.
- 11.9 Any benefit payable to or for the benefit of a payee who is a minor, an incompetent person, or is otherwise incapable of receipting therefore shall be deemed paid when paid to such person's guardian or to the party providing, or a reasonably appearing to provide, the care for such person, and such payment shall fully discharge the Employer, the Committee, the Board and all other parties with respect thereto.
- 11.10 The Plan is intended to comply with the requirements of section 409A of the Code, and shall in all respects be administered in accordance with section 409A. Notwithstanding anything in the Plan to the contrary, distributions may only be made under the Plan upon an event and in a manner permitted by section 409A of the Code. To the extent that any provision of the Plan would cause a conflict with the requirements of section 409A of the Code, or would cause the administration of the Plan to fail to satisfy the requirements of section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. In no event shall a Participant, directly or indirectly, designate the calendar year of payment, except as permitted by section 409A of the Code.

December 10, 2008

Aqua America, Inc.
762 Lancaster Avenue
Bryn Mawr, Pennsylvania 19010

RE: Aqua America, Inc., Registration Statement on Form S-8, filed on December 10, 2008

Ladies and Gentlemen:

We have acted as counsel to Aqua America, Inc., a Pennsylvania corporation (the "Company"), in connection with the filing of the referenced Registration Statement on Form S-8 (the "Registration Statement") under the Securities Act of 1933, as amended (the "Act"), with the Securities and Exchange Commission (the "SEC"). The Registration Statement relates to the registration under the Act of \$20,000,000 of deferred compensation obligations of the Company (the "Securities") under the Aqua America, Inc. 2009 Executive Deferral Plan (the "Plan").

In connection with this opinion letter, we have examined the Registration Statement and originals, or copies certified or otherwise identified to our satisfaction of the Company's Restated Articles of Incorporation, the Company's Bylaws, as amended, the Plan, and such other documents, records and other instruments as we have deemed appropriate for purposes of the opinion set forth herein.

We have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of the documents submitted to us as originals, the conformity with the originals of all documents submitted to us as certified, facsimile or photostatic copies and the authenticity of the originals of all documents submitted to us as copies.

Based upon the foregoing, we are of the opinion that, when issued in accordance with the provisions of the Plan, the Securities will constitute valid and binding obligations of the Company enforceable against the Company in accordance with the terms thereof.

The opinions expressed above are subject to the following limitations and qualifications:

1. The opinions expressed herein are subject to bankruptcy, insolvency, fraudulent transfer and other similar laws affecting the rights and remedies of creditors generally and general principles of equity.
2. The opinions expressed herein are limited to the laws of the Commonwealth of Pennsylvania, and we express no opinion with respect to the laws of any other state or jurisdiction.

We hereby consent to the use of this opinion as Exhibit 5.1 to the Registration Statement. In giving such consent, we do not hereby admit that we are acting within the category of persons whose consent is required under Section 7 of the Act or the rules or regulations of the SEC thereunder.

Very truly yours,

/s/ Morgan, Lewis & Bockius LLP

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in this Registration Statement on Form S-8 of our report dated February 26, 2008 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2007 Annual Report to Shareholders, which is incorporated by reference in Aqua America Inc.'s Annual Report on Form 10-K for the year ended December 31, 2007. We also consent to the references to us under the headings "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
December 10, 2008