

Registration No. 333-

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

23-1702594

(State or other jurisdiction
of incorporation or organization)

(I.R.S. Employer Identification No.)

762 W. LANCASTER AVENUE
BRYN MAWR, PA 19010-3489

(Address of Principal Executive Offices) (Zip Code)

AQUA AMERICA, INC. 2005 EXECUTIVE DEFERRAL PLAN

(Full title of the plan)

ROY H. STAHL
EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL AND CORPORATE SECRETARY
AQUA AMERICA, INC.
762 W. LANCASTER AVENUE
BRYN MAWR, PA 19010-3489

(Name and address of agent for service)

(610) 527-8000

(Telephone number, including area code, of agent for service)

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)	\$10,000,000	100%	\$10,000,000	\$1,177

(1) The deferred compensation obligations (the "Obligations") under the Aqua America, Inc. 2005 Executive Deferral Plan are unsecured general obligations of Aqua America, Inc. to pay deferred compensation in accordance with the terms of the Aqua America Inc. 2005 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 filed with the Securities and Exchange Commission (the "Commission") by Aqua America, Inc. (the "Registrant") are incorporated by reference into this Registration Statement:

- (a) The Registrant's annual report on Form 10-K for fiscal year ended December 31, 2004, filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act; and
- (b) All other reports filed with the Commission pursuant to Section 13(a) or 15(d) of the Exchange Act since December 31, 2004.

All reports and other documents filed by the Registrant pursuant to Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), after the filing of this Registration Statement and prior to the filing of a post-effective amendment that indicates that all securities offered have been sold or that deregisters all securities then remaining unsold, shall be deemed to be incorporated by reference in this Registration Statement and to be a part hereof from the date of the filing of such reports and documents. Any statement contained in a document incorporated by reference herein shall be modified or superseded for purposes of this Registration Statement if it is modified or superseded by a statement in a document which is also incorporated in this Registration Statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Registration Statement.

ITEM 4. DESCRIPTION OF SECURITIES

Under the Aqua America, Inc. 2005 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 a committee appointed by the Registrant's board of directors.

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 have the Registrant credit to his or her account (through payroll reduction) an amount equal to a whole percentage or dollar amount of his or her bonus and/or base salary to be earned for the upcoming calendar year. The committee, who administers the Plan, may set a minimum and maximum amount that may be deferred under the Plan, and may change the limits from time to time.

When an eligible employee elects to defer any portion of his or her bonus and/or base salary, the Registrant will create and maintain an account that will be credited with the elected contribution at the time such amount would otherwise have been paid plus deemed earnings. 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 under the Aqua America, Inc. Thrift Plan on the employee's behalf if it were not for the limitations imposed by the Internal Revenue Code (the "Code") over the amount actually contributed by the Registrant to the Thrift Plan on the participant's behalf.

A participant's benefit under the Plan will be distributed in a lump sum payment, or, if at least \$25,000 is credited to such employee's account, in 12 annual installments (with deemed earnings continuing to be credited to the remaining balance for each subsequent calendar year) payable as soon as practicable following the completion of the valuation of such account for the last day of the month in which such employee separates from employment, as previously elected by the participant. If the participant is a key employee, however, his or her benefit may not be distributed earlier than the first day of the seventh month following the date of the participant's separation from employment.

If no election is made by the participant, his or her benefit will be distributed in a lump sum payment as soon as practicable after the first day of the year following the date the participant separates from employment. If the participant dies before his benefit is due, the balance of his or her account will be distributed to the participant's beneficiary in a lump sum payment as soon as practicable following the completion of the valuation of the participant's account. If the participant dies after installment payments have begun, the beneficiary will continue to receive the remaining installments due

following the participant's death.

The board may, but is not required to, authorize the establishment of a trust to serve as a funding vehicle for the benefits that eligible employees are entitled to receive under the Plan. In any event, the Registrant's obligations under the Plan will constitute a general, unsecured obligation, payable solely out of the Registrant's general assets, and participants in the Plan will have no right to any of the Registrant's specific 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.

ITEM 5. INTERESTS OF NAMED EXPERTS AND COUNSEL

Roy H. Stahl, Executive Vice President, General Counsel and Corporate Secretary of the Registrant has given his opinion about certain legal matters regarding the Obligations registered under this Registration Statement. Mr. Stahl is eligible to participate in the Aqua America, Inc. 2005 Executive Deferral Plan.

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sections 1741 and 1742 of the Pennsylvania Business Corporation Law of 1988, as amended (the "BCL"), 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 BCL 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 BCL 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 BCL.

Section 1746 of the BCL 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 BCL and pursuant to the authority of Section 1746 of the BCL.

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 BCL 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 BCL 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 BCL. 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 BCL 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 BCL.

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

Exhibit Number -----	Exhibit -----
5.1	Opinion of Roy H. Stahl.
23.1	Consent of PricewaterhouseCoopers LLP.
23.2	Consent of Roy H. Stahl is contained in Exhibit 5.
24	Powers of Attorney (included on signature pages).
99.1	Aqua America, Inc. 2005 Executive Deferral Plan.

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 set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from low to high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume

and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

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- (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 subparagraphs (1)(i) and (1)(ii) of this section do not apply if the information required to be included in a post-effective amendment by those subparagraphs is contained in periodic reports filed by the Registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in 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 that remain unsold at the termination of the offering.

The undersigned Registrant hereby undertakes that, for the purpose 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 Securities Exchange Act of 1934 (and each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered herein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act 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 Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, 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, State of Pennsylvania, on May 19, 2005.

AQUA AMERICA, INC.

By: /s/ Nicholas DeBenedictis

Nicholas DeBenedictis

Chairman and Chief Executive Officer

POWER OF ATTORNEY

Each person in so signing below also makes, constitutes and appoints Roy H. Stahl, Executive Vice President, and David P. Smeltzer, Senior Vice President, and each of them acting alone, his or her true and lawful attorney-in-fact, with full power of substitution, to execute and cause to be filed with the Securities and Exchange Commission pursuant to the requirements of the Securities Act of 1933, as amended, any and all amendments and post-effective amendments to this Registration Statement with exhibits thereto and other documents in connection therewith, and hereby ratifies and confirms all that said attorney-in-fact or his substitute or substitutes may do or cause to be done by virtue hereof. This Power of Attorney may be signed in several counterparts.

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

SIGNATURE -----	TITLE -----	DATE ----
/s/ Nicholas DeBenedictis ----- Nicholas DeBenedictis	Director, Chairman and Chief Executive (Principal Executive Officer)	May 19, 2005
/s/ David P. Smeltzer ----- David P. Smeltzer	Senior Vice President - Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	May 19, 2005
/s/ Robert Rubin ----- Robert Rubin	Principal Accounting Officer	May 19, 2005
/s/ Mary C. Carroll ----- Mary C. Carroll	Director	May 19, 2005

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SIGNATURE -----	TITLE -----	DATE ----
/s/ Richard H. Glanton ----- Richard H. Glanton, Esq.	Director	May 19, 2005
----- William P. Hankowsky	Director	May __, 2005
/s/ John F. McCaughan ----- John F. McCaughan	Director	May 19, 2005
/s/ John E. Menario ----- John E. Menario	Director	May 19, 2005
/s/ Richard L. Smoot ----- Richard L. Smoot	Director	May 19, 2005

/s/ Constantine Papadakis

Constantine Papadakis

Director

May 19, 2005

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EXHIBIT INDEX

Exhibit Number -----	Exhibit -----
5.1	Opinion and consent of Roy H. Stahl.*
23.1	Consent of PricewaterhouseCoopers LLP.*
23.2	Consent of Roy H. Stahl (included in Exhibit 5.1).*
24.1	Powers of Attorney (included on signature pages).*
99.1	Aqua America, Inc. 2005 Executive Deferral Plan.*

* filed herewith

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June 22, 2005

Aqua America, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489

Re: Aqua America, Inc. - Registration Statement on Form S-8, filed June 22, 2005

Ladies and Gentlemen:

I am General Counsel of Aqua America, Inc., a Pennsylvania corporation (the "Company"). I am familiar with the Registration Statement on Form S-8 (the "Registration Statement") to be filed under the Securities Act of 1933, as amended (the "Act"), relating to the Aqua America, Inc. 2005 Executive Deferral Plan (the "Plan").

I have reviewed such documents and records as I have deemed necessary or appropriate as a basis for the opinion set forth herein. In making such examination, I have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to the Company as originals, the conformity to original documents of all documents submitted to the Company as certified, conformed or photostatic copies and the authenticity of the originals of such copies.

Based upon the foregoing, I am of the opinion that, when issued in accordance with the provisions of the Plan, the deferred compensation obligations will be valid and binding obligations of the Company, enforceable in accordance with their terms except as enforcement thereof may be limited by bankruptcy, insolvency or other laws of general applicability relating to or affecting enforcement of creditors' rights or general equity principles.

This opinion is limited to the laws of the Commonwealth of Pennsylvania.

I consent to the filing of this opinion as an exhibit to the Registration Statement. In giving this consent, I do not thereby admit that I am within the category of persons whose consent is required under Section 7 of the Securities Act and the rules and regulations thereunder.

Very truly yours,

ROY H. STAHL, ESQ.

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 March 14, 2005 relating to the financial statements, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in the 2004 Annual Report to Shareholders of Aqua America, Inc., which is incorporated by reference in Aqua America, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2004.

PRICEWATERHOUSECOOPERS LLP
Philadelphia, Pennsylvania
June 22, 2005

AQUA AMERICA, INC.
2005 EXECUTIVE DEFERRAL PLAN

In recognition of the services provided by certain key employees, the Board of Directors of Aqua America, Inc. adopted the Plan to make additional retirement benefits available to those individuals. This Plan is intended to replace the Philadelphia Suburban Corporation Executive Deferral Plan (the "Prior Executive Deferral Plan") and no further deferrals will be credited under the Prior Executive Deferral Plan after the effective date of this Plan. The Prior Executive Deferral Plan shall remain in effect with respect to deferrals made prior to January 1, 2005.

ARTICLE 1

Definitions

- 1.1 "Account" means a bookkeeping account established pursuant to Section 3.1 which reflects the 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 under this Plan subsequent to the Participant's death. The Committee 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" means January 1, 2005.
- 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 "Key Employee" means (i) an officer of the Company or its affiliates having annual compensation greater than \$130,000 (adjusted for inflation and limited to 50 employees), (ii) a five percent owner of the Company and its affiliates, or (iii) a one percent owner of the Company and its affiliates who has annual compensation from the Company and its affiliates greater than \$150,000, as determined by the Committee in a manner consistent with the regulations issued under section 409A of the Code.

- 1.14 "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.
- 1.15 "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.
- 1.16 "Plan" means the Aqua America, Inc. 2005 Executive Deferral Plan as the same is set forth herein, and as it may be amended from time to time.
- 1.17 "Plan Year" means the calendar year.
- 1.18 "Separates from Employment" means the Employee's termination of employment from the Employer for any reason. Except as otherwise provided herein, a Separation from Employment shall be deemed to have occurred on the last day of the Employee's service to the Employer and shall be determined without reference to any compensation continuation arrangement or severance benefit arrangement that may be applicable.
- 1.19 "Thrift Plan" means the Aqua America, Inc. Thrift Plan, as it may be amended from time to time.

ARTICLE 2

Eligibility

- 2.1 Each Employee shall be eligible to participate in the Plan on such date as is specified by the Committee. A list of the individuals participating in the Plan on the Effective Date is attached hereto as Exhibit A; such list may be modified from time to time by the Committee.

ARTICLE 3

Benefits

- 3.1 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 8 hereof.
- 3.2 Prior to the commencement of any Plan Year, or within 30 days after first being eligible to participate hereunder, 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 such Plan Year. Prior to the commencement of any Plan Year, a Participant may also 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 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 Bonus or 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. In addition, at the time of his or her deferral election for each Plan Year, a Participant shall elect the form of payment, as described in Section 4.1 below, with respect to deferred Base Salary and/or Bonus

for the upcoming Plan Year.

- 3.3 Any elections under this Article shall be made in writing on such form and at such time as the Committee shall specify consistent with the provisions of Section 3.2. Any election by a Participant pursuant to this Section 3.3 shall be irrevocable as to any credits made to a Participant's Account in a Plan Year.
- 3.4 For each Plan Year, the Employer shall also credit to the Participant's Account an amount equal to the excess of the contribution that would have been made by the Employer under the Thrift Plan on behalf of the Participant if it were not for the limitations imposed by the Code over the amount actually contributed by the Employer to the Thrift Plan on behalf of the Participant. In addition, the Employer may make an additional credit to each Participant's Account for any Plan Year in such amount as shall be approved by the Committee. Such credits shall be deemed to have occurred at the time such amounts would otherwise have been contributed to the Thrift Plan or at such other time as is specified by the Employer.

ARTICLE 4

Distributions to Participants

- 4.1 A Participant's benefit under the Plan shall be distributed in one lump sum, or, if at least \$25,000 is credited to a Participant's Account, in 12 annual installments (with the balance to be distributed continuing to be credited with deemed earnings for each subsequent Plan Year in accordance with the provisions of Article 8 hereof) equal to 1\12, 1\11, 1\10, 1\9, 1\8, 1\7, 1\6, 1\5, 1\4, 1\3, 1\2, and 1\1 of the balance then credited to the Participant's Account, and shall be paid, or commence, as soon as practicable following the completion of the valuation of the Participant's Account for the last day of the month in which the Participant Separates from Employment, as previously elected by the Participant. Notwithstanding anything herein to the contrary, in the event that such a Participant fails to make an election, distribution shall be in the form of one lump sum payment paid as soon as practicable after the first day of the year following the date the Participant Separates from Employment.
- 4.2 The Committee may establish rules allowing Participants to make a "second election" to postpone payment of his or her Account, in accordance with section 409A of the Code and the regulations thereunder. In that event, (i) the subsequent election may not take effect unless the Participant is employed for at least 12 months after the date on which the election is made and (ii) except with respect to an election related to payment upon death, disability or a severe financial hardship, the first payment with respect to which such election is made must be deferred for a period of not less than five years from the date such payment would otherwise have been made.
- 4.3 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.
- 4.4 In the event that a Participant incurs a "significant financial hardship" while employed by the Employer, 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 a financial hardship shall be made in accordance with the Section 409A of the Internal Revenue Code of 1986, as amended. The Committee shall determine whether to permit such a withdrawal and, based upon the Participant's application, the amount necessary to satisfy that hardship, which shall be distributed in a single sum as soon as practicable 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, or a dependent (as defined in section 152(a) of the Code) of

the Participant, loss of the Participant's property due to casualty, or

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).

ARTICLE 5

Death Benefit

- 5.1 In the event of the death of a Participant prior to the payment of the full benefit due pursuant to Article 4, the Participant's Beneficiary shall receive a lump sum distribution equal to the balance of the Participant's Account on the date of death; provided, however, in the event of the death of a Participant after payment of annual installments has commenced pursuant to Section 4.1 hereof, the Participant's Beneficiary will continue to receive the remaining annual installment payments due following the Participant's death. The lump sum benefit payment to the Beneficiary will be made as soon as practicable following the completion of the valuation of the deceased Participant's Account.

ARTICLE 6

Vesting

- 6.1 The balance credited to a Participant's Account attributable to Section 3.2 shall be fully vested at all times. Credits attributable to Section 3.4 shall vest at the same time as the Participant's accrued benefit under the terms of the Retirement Plan for Employees of Aqua America, Inc. and Subsidiaries.

ARTICLE 7

Funding

- 7.1 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 the Employee Retirement Income Security Act of 1974, as amended.

ARTICLE 8

Investments

- 8.1 Except as provided otherwise below, the balance credited to a Participant's Account shall be deemed to be invested in an interest bearing instrument which shall provide for interest to be credited and compounded monthly at an effective rate equal to 100 basis points in excess of the prime commercial lending rate established by Mellon Bank N.A., or such other bank determined by the Committee to be the Company's primary bank as of the beginning of any Plan Year, as in effect on the 15th day of each month (or if such day is a non-business day, on the first business day thereafter) during which there is a positive balance in a Participant's Account. Interest shall be applied to the average balance of each Participant's Account during the prior

30-day period. 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. Notwithstanding anything herein to the contrary, the Company may, but shall not be required to, actually 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 Company. Any such other deemed forms of investment shall be described on Exhibit B hereto, as in effect and amended from time to time, and shall be incorporated herein by reference.

ARTICLE 9

Administration

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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.

ARTICLE 10

Amendment

- 10.1 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 11

Termination

- 11.1 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 all without prior notice to any person or entity; provided, however, that such termination 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 12

Miscellaneous

- 12.1 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.
- 12.2 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.
- 12.3 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.
- 12.4 The masculine pronoun whenever used shall include the feminine and the singular shall be construed as the plural, where applicable.
- 12.5 The provisions of the Plan shall be construed and applied under the laws of the Commonwealth of Pennsylvania.
- 12.6 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.
- 12.7 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.
- 12.8 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.
- 12.9 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.

EXHIBIT A

NAME

DEBENEDICTIS	STAHL
KYRISS	REIGLER
SMELTZER	HUGUS
LIPTAK	PAPE
KROPILAK	PISHKUR
SCHULMAN	RAKOCY
FRANKLIN	KELLEY
ROSS	CHAIN

DONATONI
MCNULTY
COCCO
ROBERTS
BROUSSARD
RITTER
LAUGHMAN
KRIEDER
KOPAS
BUNOSKY
HEAVENER
MCMULLEN
GRIFFIN
BARRETT
ERICSSON
ODELL
MILLER
TWEED
DURHAM
SHAW
RAPCIEWICZ
JERDON

RUBIN
GERMON
LUITWEILER
FOX
LUNING
SUBASIC
SIMPSON
KNOWLTON
BISSON
TAGERT
PHILLIPS
DOYLE
HEICHEL
ORTH
HERTZ
PURTZ
GRANTMYRE
HILBURN
MOSLEY
SUTTER
SAULINE
NAVALINE

EXHIBIT B

The following additional deemed investment may be elected by a Participant:

1. Life Insurance - A Participant (who is insurable) may elect, at the time and in the manner specified by the Committee, to direct that any portion or all of the amounts elected to be deferred under Section 3.2 of the Plan be deemed invested in a life insurance contract on the Participant's life with the amount of the death benefit determined by the Committee (taking into account, among other things the Participant's insurability) and permitting the Participant to direct the investment of any funds deemed invested under the insurance contract in excess of that necessary to keep the death benefit in force. Upon a distribution event under Article 4, and notwithstanding anything in the Plan to the contrary, the Committee may determine to distribute an insurance contract to the Participant in the event that the Company had determined to purchase such a life insurance contract in light of the Participant's election hereunder. If the Company determines to purchase a contract hereunder, it may permit the Participant to designate a beneficiary under the contract to receive the death benefit in the event of the Participant's death prior to a distribution event under Article 4, which shall be taken into account in determining whether any additional sums are owed under Article 5.