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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON DC 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the quarterly period ended September 30, 2011

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from _____ to _____

Commission File Number 1-6659

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, Pennsylvania	19010-3489
(Address of principal executive offices)	(Zip Code)

(610) 527-8000
(Registrant's telephone number, including area code)

(Former Name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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 12(b)-2 of the Exchange Act.:

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 24, 2011: 138,568,084

AQUA AMERICA, INC. AND SUBSIDIARIES

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Part 1 — Financial Information

Item 1. Financial Statements

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	September 30, 2011	December 31, 2010
Assets		
Property, plant and equipment, at cost	$ 4,528,687	$ 4,322,260
Less: accumulated depreciation	1,015,529	964,903
Net property, plant and equipment	3,513,158	3,357,357
Current assets:		
Cash and cash equivalents	7,988	5,934
Accounts receivable and unbilled revenues, net	86,710	78,170
Income tax receivable	33,600	33,600
Deferred income taxes	18,218	—
Inventory, materials and supplies	11,632	9,912
Prepayments and other current assets	8,075	10,403
Assets of discontinued operations held for sale	169,727	163,499
Total current assets	335,950	301,518
Regulatory assets	198,700	187,977
Deferred charges and other assets, net	51,219	62,610
Funds restricted for construction activity	100,577	135,086
Goodwill	28,465	27,918
	$ 4,228,069	$ 4,072,466
Liabilities and Equity		
Aqua America stockholders' equity:		
Common stock at $.50 par value, authorized 300,000,000 shares, issued 139,268,821 and 138,449,039 in 2011 and 2010	$ 69,633	$ 69,223
Capital in excess of par value	681,149	664,369
Retained earnings	474,358	452,470
Treasury stock, at cost, 703,216 and 673,472 shares in 2011 and 2010	(12,983)	(12,307)
Accumulated other comprehensive income	66	499
Total Aqua America stockholders' equity	1,212,223	1,174,254
Noncontrolling interest	585	572
Total equity	1,212,808	1,174,826
Long-term debt, excluding current portion	1,402,451	1,491,370
Commitments and contingencies	—	—
Current liabilities:		
Current portion of long-term debt	95,362	28,087
Loans payable	102,978	89,668
Accounts payable	38,042	44,051
Accrued interest	16,685	15,550
Accrued taxes	14,863	18,283
Dividends payable	22,863	—
Other accrued liabilities	23,046	24,037
Liabilities of discontinued operations held for sale	114,821	103,599
Total current liabilities	428,660	323,275
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	550,470	456,298
Customers' advances for construction	66,369	65,250
Regulatory liabilities	38,747	33,431
Other	87,650	93,565
Total deferred credits and other liabilities	743,236	648,544
Contributions in aid of construction	440,914	434,451
	$ 4,228,069	$ 4,072,466

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

(UNAUDITED)

	Nine Months Ended September 30,	
	2011	2010
Operating revenues	$ 539,256	$ 515,003
Operating expenses:		
Operations and maintenance	200,535	198,448
Depreciation	79,884	77,635
Amortization	4,335	9,244
Taxes other than income taxes	33,126	32,161
	317,880	317,488
Operating income	221,376	197,515
Other expense (income):		
Interest expense, net	58,457	54,418
Allowance for funds used during construction	(5,710)	(3,895)
Gain on sale of other assets	(475)	(2,294)
Income from continuing operations before income taxes	169,104	149,286
Provision for income taxes	56,303	58,573
Income from continuing operations	112,801	90,713
Discontinued operations:		
Income from discontinued operations before income taxes	6,194	7,385
Provision for income taxes	9,931	2,981
(Loss) income from discontinued operations	(3,737)	4,404
Net income attributable to common shareholders	$ 109,064	$ 95,117
Net income attributable to common shareholders	$ 109,064	$ 95,117
Other comprehensive income, net of tax:		
Unrealized holding (loss) gain on investments	(277)	1,174
Reclassification adjustment for gains reported in net income	(156)	(1,330)
Comprehensive income	$ 108,631	$ 94,961
Income from continuing operations per share:		
Basic	$ 0.82	$ 0.66
Diluted	$ 0.81	$ 0.66
(Loss) income from discontinued operations per share:		
Basic	$ (0.03)	$ 0.03
Diluted	$ (0.03)	$ 0.03
Net income per common share:		
Basic	$ 0.79	$ 0.70
Diluted	$ 0.79	$ 0.69
Average common shares outstanding during the period:		
Basic	138,081	136,798
Diluted	138,625	137,112
Cash dividends declared per common share	$ 0.63	$ 0.59

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In thousands, except per share amounts)

(UNAUDITED)

	Three Months Ended September 30,	
	2011	2010
Operating revenues	$ 197,328	$ 193,477
Operating expenses:		
Operations and maintenance	70,039	68,908
Depreciation	27,132	26,494
Amortization	1,074	3,310
Taxes other than income taxes	11,324	11,442
	109,569	110,154
Operating income	87,759	83,323
Other expense (income):		
Interest expense, net	19,560	18,574
Allowance for funds used during construction	(1,804)	(1,018)
Gain on sale of other assets	(216)	(291)
Income from continuing operations before income taxes	70,219	66,058
Provision for income taxes	24,703	25,728
Income from continuing operations	45,516	40,330
Discontinued operations:		
Income from discontinued operations before income taxes	5,138	5,747
Provision for income taxes	9,531	2,326
(Loss) income from discontinued operations	(4,393)	3,421
Net income attributable to common shareholders	$ 41,123	$ 43,751
Net income attributable to common shareholders	$ 41,123	$ 43,751
Other comprehensive income, net of tax:		
Unrealized holding (loss) gain on investments	(373)	272
Reclassification adjustment for gain reported in net income	(83)	—
Comprehensive income	$ 40,667	$ 44,023
Income from continuing operations per share:		
Basic	$ 0.33	$ 0.29
Diluted	$ 0.33	$ 0.29
(Loss) income from discontinued operations per share:		
Basic	$ (0.03)	$ 0.02
Diluted	$ (0.03)	$ 0.02
Net income per common share:		
Basic	$ 0.30	$ 0.32
Diluted	$ 0.30	$ 0.32
Average common shares outstanding during the period:		
Basic	138,297	137,095
Diluted	138,951	137,394
Cash dividends declared per common share	$ 0.32	$ 0.30

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION
(In thousands of dollars, except per share amounts)

(UNAUDITED)

	September 30, 2011	December 31, 2010
Aqua America stockholders' equity:		
Common stock, $.50 par value	$ 69,633	$ 69,223
Capital in excess of par value	681,149	664,369
Retained earnings	474,358	452,470
Treasury stock, at cost	(12,983)	(12,307)
Accumulated other comprehensive income	66	499
Total Aqua America stockholders' equity	1,212,223	1,174,254
Noncontrolling interest	585	572
Total equity	1,212,808	1,174,826
Long-term debt:		
Long-term debt of subsidiaries (substantially secured by utility plant):		

Interest Rate Range	Maturity Date Range		
0.00% to 0.99%	2012 to 2034	6,293	6,632
1.00% to 1.99%	2011 to 2035	26,127	22,758
2.00% to 2.99%	2019 to 2031	15,637	13,461
3.00% to 3.99%	2016 to 2030	25,174	26,548
4.00% to 4.99%	2020 to 2043	367,101	367,854
5.00% to 5.99%	2012 to 2043	429,423	429,663
6.00% to 6.99%	2011 to 2036	78,248	78,232
7.00% to 7.99%	2012 to 2025	29,292	30,155
8.00% to 8.99%	2021 to 2025	34,035	34,260
9.00% to 9.99%	2013 to 2026	38,994	44,694
10.40%	2018	6,000	6,000
		1,056,324	1,060,257

Notes payable to bank under revolving credit agreement, variable rate, due May 2012	47,000	65,000
Unsecured notes payable:		
Notes ranging from 4.62% to 4.87%, due 2013 through 2024	193,000	193,000
Notes ranging from 5.01% to 5.95%, due 2014 through 2037	242,132	242,132
	1,538,456	1,560,389
Less: long-term debt of discontinued operations	40,643	40,932
	1,497,813	1,519,457
Current portion of long-term debt	95,362	28,087
Long-term debt, excluding current portion	1,402,451	1,491,370
Total capitalization	$ 2,615,259	$ 2,666,196

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY
(In thousands of dollars)

(UNAUDITED)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance at December 31, 2010	$ 69,223	$ 664,369	$ 452,470	$ (12,307)	$ 499	$ 572	$1,174,826
Net income	—	—	109,064	—	—	13	109,077
Unrealized holding loss on investments, net of income tax of $149	—	—	—	—	(277)	—	(277)
Reclassification adjustment for gain reported in net income, net of income tax of $84	—	—	—	—	(156)	—	(156)
Dividends paid	—	—	(64,266)	—	—	—	(64,266)
Dividends declared	—	—	(22,863)	—	—	—	(22,863)
Sale of stock (445,004 shares)	215	8,861	—	325	—	—	9,401
Repurchase of stock (44,165 shares)	—	—	—	(1,001)	—	—	(1,001)
Equity compensation plan (14,176 shares)	7	(7)	—	—	—	—	—
Exercise of stock options (375,023 shares)	188	5,647	—	—	—	—	5,835
Stock-based compensation	—	2,852	(47)	—	—	—	2,805
Employee stock plan tax benefits	—	(573)	—	—	—	—	(573)
Balance at September 30, 2011	$ 69,633	$ 681,149	$ 474,358	$ (12,983)	$ 66	$ 585	$1,212,808

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)

(UNAUDITED)

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	$ 109,064	$ 95,117
(Loss) income from discontinued operations	(3,737)	4,404
Income from continuing operations	112,801	90,713
Adjustments to reconcile income from continuing operations to net cash flows from operating activities:		
Depreciation and amortization	84,219	86,879
Deferred income taxes	58,495	34,623
Provision for doubtful accounts	3,615	3,475
Stock-based compensation	2,768	3,015
Gain on sale of utility system	(3,946)	—
Gain on sale of other assets	(475)	(2,294)
Net increase in receivables, inventory and prepayments	(14,001)	(20,634)
Net increase (decrease) in payables, accrued interest, accrued taxes and other accrued liabilities	323	(16,722)
Other	(3,162)	(2,763)
Operating cash flows from continuing operations	240,637	176,292
Operating cash flows from discontinued operations, net	6,466	12,336
Net cash flows from operating activities	247,103	188,628
Cash flows from investing activities:		
Property, plant and equipment additions, including allowance for funds used during construction of $5,710 and $3,895	(226,075)	(231,542)
Acquisitions of utility systems and other, net	(6,934)	(1,948)
Additions to funds restricted for construction activity	(135)	(1,051)
Release of funds previously restricted for construction activity	34,644	41,635
Net proceeds from the sale of utility system and other assets	12,628	3,541
Proceeds from note receivable	5,289	1,955
Other	(631)	(5,643)
Investing cash flows used in continuing operations	(181,214)	(193,053)
Investing cash flows used in discontinued operations, net	(2,915)	(5,967)
Net cash flows used in investing activities	(184,129)	(199,020)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	3,324	5,572
Repayments of customers' advances	(1,577)	(5,199)
Net proceeds of short-term debt	13,310	42,041
Proceeds from long-term debt	24,974	114,313
Repayments of long-term debt	(46,477)	(97,332)
Change in cash overdraft position	(4,122)	(10,173)
Proceeds from issuing common stock	9,401	9,288
Proceeds from exercised stock options	5,835	3,889
Stock-based compensation windfall tax benefits	—	302
Repurchase of common stock	(1,001)	(744)
Dividends paid on common stock	(64,266)	(59,584)
Financing cash flows (used in) from continuing operations	(60,599)	2,373
Financing cash flows used in discontinued operations, net	(321)	(296)
Net cash flows (used in) from financing activities	(60,920)	2,077
Net increase (decrease) in cash and cash equivalents	2,054	(8,315)
Cash and cash equivalents at beginning of period	5,934	21,869
Cash and cash equivalents at end of period	$ 7,988	$ 13,554

See notes to consolidated financial statements beginning on page 8 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 1 Basis of Presentation

The accompanying consolidated balance sheets and statements of capitalization of Aqua America, Inc. and subsidiaries (the "Company") at September 30, 2011, the consolidated statements of income and comprehensive income for the nine and three months ended September 30, 2011 and 2010, the consolidated statements of cash flow for the nine months ended September 30, 2011 and 2010, and the consolidated statement of equity for the nine months ended September 30, 2011, are unaudited, but reflect all adjustments, consisting of only normal recurring accruals, which are, in the opinion of management, necessary to present fairly the consolidated financial position, the consolidated changes in equity, the consolidated results of operations, and the consolidated cash flow for the periods presented. Because they cover interim periods, the statements and related notes to the financial statements do not include all disclosures and notes normally provided in annual financial statements and, therefore, should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2010. The results of operations for interim periods may not be indicative of the results that may be expected for the entire year. The December 31, 2010 consolidated balance sheet data presented herein was derived from the Company's December 31, 2010 audited consolidated financial statements, but does not include all disclosures and notes normally provided in annual financial statements. Certain prior period amounts have been reclassified including reporting discontinued operations (see Note 4) and to conform to the current period presentation.

Note 2 Goodwill

The following table summarizes the changes in the Company's goodwill, by business segment:

	Regulated Segment	Other	Consolidated
Balance at December 31, 2010	$ 36,113	$ 4,121	$ 40,234
Goodwill acquired	870	—	870
Reclassifications to utility plant acquisition adjustment	(323)	—	(323)
Balance at September 30, 2011	$ 36,660	$ 4,121	$ 40,781

Included in the Company's regulated segment goodwill balance at September 30, 2011 and December 31, 2010 is $12,316 of goodwill associated with discontinued operations.

The reclassification of goodwill to utility plant acquisition adjustment results from a mechanism approved by the applicable public utility commission. The mechanism provides for the transfer over time, and the recovery through customer rates, of goodwill associated with certain acquisitions upon achieving certain objectives.

As of July 31, 2011, management performed its annual test of goodwill for impairment, in conjunction with the timing of the Company's annual five-year financial plan. Based on the Company's comparison of the estimated fair value of each reporting unit to its respective carrying amount management concluded that the estimated fair value of each reporting unit was substantially in excess of the reporting unit's carrying amount, indicating that none of the Company's goodwill was impaired.

Note 3 Acquisitions

As part of the Company's growth-through-acquisition strategy, in July 2011, the Company entered into a definitive agreement with American Water Works Company, Inc. ("American Water") to purchase all of the stock of the subsidiary that holds American Water's regulated water and wastewater operations in Ohio for cash of approximately $88,000 at closing plus certain assumed liabilities, including debt of approximately $16,000. American Water's Ohio operations serve approximately 57,000 customers. The purchase price is subject to certain adjustments at closing, and closing is conditioned upon the closing of the Company's sale of its regulated water operations in New York to American Water, and is subject to applicable regulatory approvals. The transaction will be accounted for as a business combination and is expected to close in the first quarter of 2012.

In June 2011, the Company completed its acquisition of approximately 51 water and five wastewater systems in Texas serving approximately 5,300 customers. The total purchase price consisted of $6,245 in cash. The pro forma effect of the business acquired is not material to the Company's results of operations.

Note 4 Discontinued Operations and Other Dispositions

Discontinued Operations — In July 2011, the Company entered into a definitive agreement with Connecticut Water Service, Inc. to sell its regulated water operations in Maine for cash of approximately $35,800 at closing plus certain assumed liabilities, including debt of approximately $17,500. The purchase price is subject to certain adjustments at closing. This subsidiary is included in the Regulated segment, and as of September 30, 2011, the carrying amount of Maine's assets and liabilities were $60,844 and $48,202, respectively. The Company's Maine operations serve approximately 16,000 customers. The sale is conditioned, among other things, on the receipt of regulatory approvals, and is expected to close in the first quarter of 2012. In the third quarter, the Company recognized additional income tax expense of $4,501 for the additional deferred tax liabilities that arise from the difference between the stock and tax basis of the Company's investment in its Aqua Maine subsidiary. The completion of this transaction will conclude the Company's operations in Maine.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

In July 2011, the Company entered into a definitive agreement with American Water to sell its regulated water operations in New York for cash of approximately $42,000 at closing plus certain assumed liabilities, including debt of approximately $23,000. This subsidiary is included in the Regulated segment, and as of September 30, 2011, the carrying amount of New York's assets and liabilities were $108,883 and $66,619, respectively. In the third quarter, the Company recognized additional income tax expense of $2,937 for the additional deferred tax liabilities that arise from the difference between the stock and tax basis of the Company's investment in its Aqua New York subsidiary. The Company's New York operations serve approximately 51,000 customers. The purchase price is subject to certain adjustments at closing, and closing is conditioned upon the closing of the Company's acquisition of American Water's regulated water and wastewater operations in Ohio, and is subject to applicable regulatory approvals. The sale is expected to close in the first quarter of 2012. The completion of this transaction will conclude the Company's operations in New York.

Based on an assessment of the sale prices and the carrying values of the Company's planned dispositions of its Maine and New York operations, there is no anticipated impairment of our long-lived assets or goodwill expected to be recognized as a result of the sale agreements. However, in the third quarter of 2011, the Company recognized an estimated loss on disposition of $1,254 primarily due to the cessation of depreciation in its New York operations.

The operating results, cash flows, and financial position of the Company's subsidiaries named above have been presented in the Company's Consolidated Statements of Income and Comprehensive Income, Consolidated Statements of Cash Flow, and Consolidated Balance Sheets as discontinued operations.

A summary of discontinued operations presented in the Consolidated Statements of Income and Comprehensive Income include the following:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Operating revenues	$ 31,849	$ 31,755	$ 14,224	$ 14,320
Total operating expenses	22,689	22,924	7,269	8,056
Operating income	9,160	8,831	6,955	6,264
Estimated loss on disposition	1,254	—	1,254	—
Other expense, net	1,712	1,446	563	517
Income from discontinued operations before income taxes	6,194	7,385	5,138	5,747
Provision for income taxes	9,931	2,981	9,531	2,326
(Loss) income from discontinued operations	$ (3,737)	$ 4,404	$ (4,393)	$ 3,421

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

The assets and liabilities of discontinued operations presented in the Consolidated Balance Sheets include the following:

	September 30, 2011	December 31, 2010
Property, plant and equipment, at cost	$ 168,463	$ 165,935
Less: accumulated depreciation	56,923	55,492
Net property, plant and equipment	111,540	110,443
Current assets	12,768	8,858
Regulatory assets	30,685	29,399
Goodwill	12,316	12,316
Other assets	2,418	2,483
Assets of discontinued operations held for sale	169,727	163,499
Long-term debt, excluding current portion	40,307	40,606
Current liabilities	7,741	4,039
Deferred income taxes and investment tax credits	30,110	22,407
Contributions in aid of construction	9,794	9,656
Other liabilities	26,869	26,891
Liabilities of discontinued operations held for sale	114,821	103,599
Net assets	$ 54,906	$ 59,900

Other Dispositions — The following dispositions have not been presented as discontinued operations in the Company's consolidated financial statements as the Company does not believe that disclosure of the following disposed water and wastewater utility systems as discontinued operations is meaningful to the reader of the financial statements for making investment decisions either individually or in the aggregate.

In June 2011, the Company sold a water and wastewater utility system for net proceeds of $4,106. The sale resulted in the recognition of a gain on the sale, net of expenses, of $1,580 in the second quarter of 2011, and is reported in the consolidated statements of income and comprehensive income as a reduction to operations and maintenance expense. Further, an additional amount of contingent gain was deferred pending the final regulatory treatment afforded to such item.

In May 2011, the Company sold its regulated water and wastewater operations in Missouri for net proceeds of $3,225. This sale of the Company's Missouri operations concluded the bulk of our regulated utility operations in Missouri.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

In January 2011, the Company sold a water and wastewater utility system in Texas for net proceeds of $3,118. The sale resulted in the recognition of a gain on the sale of these assets, net of expenses, of $2,452. The gain is reported in the consolidated statements of income and comprehensive income as a reduction to operations and maintenance expense.

The City of Fort Wayne, Indiana (the "City") has authorized the acquisition by eminent domain of the northern portion of the utility system of one of the operating subsidiaries that the Company acquired in connection with the AquaSource acquisition in 2003. In 2008, the Company reached a settlement with the City to transition the northern portion of the system in 2008 upon receipt of the City's initial valuation payment of $16,911. The settlement agreement specifically stated that the final valuation of the northern portion of the Company's system will be determined through a continuation of the legal proceedings that were filed challenging the City's valuation. On February 12, 2008, the Company turned over the northern portion of the system to the City upon receipt of the initial valuation payment. The proceeds received by the Company are in excess of the book value of the assets relinquished. No gain has been recognized due to the contingency over the final valuation of the assets. Once the contingency is resolved and the asset valuation is finalized, through the finalization of the litigation between the Company and the City of Fort Wayne, the amounts deferred will be recognized in the Company's consolidated income statement. On March 16, 2009, oral argument was held on certain procedural aspects with respect to the valuation evidence that may be presented and whether the Company is entitled to a jury trial. On October 12, 2010, the Wells County Indiana Circuit Court ruled that the Company is not entitled to a jury trial, and that the Wells County judge should review the City of Fort Wayne Board of Public Works' assessment based upon a "capricious, arbitrary or an abuse of discretion" standard. The Company disagreed with the Court's decision and as such on November 11, 2010, requested that the Wells County Indiana Circuit Court certify those issues for an interim appeal. The Wells County Indiana Circuit Court granted that request and on March 7, 2011, the Indiana Court of Appeals granted the Company's request to review the decision of those issues on appeal. On July 6, 2011, the Company filed its appeal with the Indiana Court of Appeals. The case is now pending before the Indiana Court of Appeals. Depending upon the outcome of all of the legal proceedings the Company may be required to refund a portion of the initial valuation payment, or may receive additional proceeds. The northern portion of the utility system relinquished represents approximately 0.4% of the Company's total assets.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 5 Fair Value of Financial Instruments

The carrying amount of current assets and liabilities that are considered financial instruments approximates their fair value as of the dates presented. The carrying amounts and estimated fair values of the Company's long-term debt are as follows:

	September 30, 2011	December 31, 2010
Carrying Amount	$ 1,538,456	$ 1,560,389
Estimated Fair Value	1,599,070	1,483,816

Included in the carrying amount of the Company's long-term debt as of September 30, 2011 and December 31, 2010, is long-term debt associated with discontinued operations of $40,643 and $40,932, respectively. The fair value of the Company's long-term debt as of September 30, 2011 and December 31, 2010 for its discontinued operations is $42,708 and $40,612, respectively.

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration. The Company's customers' advances for construction and related tax deposits have a carrying value of $68,087 as of September 30, 2011, and $66,966 as of December 31, 2010, which includes customer's advances for construction and related tax deposits associated with discontinued operations of $1,718 and $1,716, respectively. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels, and future rate increases. Portions of these non-interest bearing instruments are payable annually through 2026 and amounts not paid by the contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest bearing feature.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 6 Net Income per Common Share

Basic net income per common share is based on the weighted average number of common shares outstanding. Diluted net income per common share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted net income per common share. The dilutive effect of stock-based compensation is calculated using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Average common shares outstanding during the period for basic computation	138,081	136,798	138,297	137,095
Dilutive effect of employee stock-based compensation	544	314	654	299
Average common shares outstanding during the period for diluted computation	138,625	137,112	138,951	137,394

For the nine and three months ended September 30, 2011, employee stock options to purchase 933,800 shares of common stock, were excluded from the calculations of diluted net income per share as the calculated proceeds from the options' exercise were greater than the average market price of the Company's common stock during these periods. For the nine and three months ended September 30, 2010, employee stock options to purchase 2,623,273 and 1,512,197 shares of common stock, respectively, were excluded from the calculations of diluted net income per share as the calculated proceeds from the options' exercise were greater than the average market price of the Company's common stock during these periods.

Note 7 Stock-based Compensation

Under the Company's 2009 Omnibus Equity Compensation Plan (the "2009 Plan"), as approved by the Company's shareholders to replace the 2004 Equity Compensation Plan (the "2004 Plan"), stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to employees, non-employee directors, and consultants and advisors. The 2009 Plan authorizes 5,000,000 shares for issuance under the plan. A maximum of 50% of the shares available for issuance under the 2009 Plan may be issued as restricted stock and the maximum number of shares that may be subject to grants under the Plan to any one individual in any one year is 200,000. Awards under the 2009 Plan are made by a committee of the Board of Directors. At September 30, 2011, 4,133,278 shares underlying stock-based compensation awards were still available for grants under the 2009 Plan. No further grants may be made under the 2004 Plan.

(In thousands of dollars, except per share amounts)

Included within the Company's stock-based compensation for the nine months ended September 30, 2011 and 2010 is $77 and $80, respectively, and for the three months ended September 30, 2011 and 2010 is $27 and $23, respectively, of stock-based compensation associated with discontinued operations.

Performance Share Units — A performance share unit ("PSU") represents the right to receive a share of the Company's common stock if specified performance goals are met over the three year performance period specified in the grant, subject to certain exceptions through the three year vesting period. Each grantee is granted a target award of PSUs, and may earn between 0% and 200% of the target amount depending on the Company's performance against the performance goals. During the nine and three months ended September 30, 2011, the Company recorded stock-based compensation related to PSUs as a component of operations and maintenance expense of $697, and $336, respectively. The following table summarizes nonvested PSU transactions for the nine months ended September 30, 2011:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	—	$ —
Granted	109,375	24.38
Performance criteria adjustment	31,127	24.38
Forfeited	(2,039)	24.38
Vested	—	—
Share unit awards issued	—	—
Nonvested share units at end of period	138,463	$ 24.38

The fair value of PSUs was estimated at the grant date based on the probability of satisfying the performance conditions associated with the PSUs using the Monte Carlo valuation method. The per unit weighted-average fair value at the date of grant for PSUs granted during the nine months ended September 30, 2011 was $24.38. The fair value of each PSU grant is amortized into compensation expense on a straight-line basis over their respective vesting periods, which range from 24 to 36 months. The accrual of compensation costs is based on our estimate of the final expected value of the award, and is adjusted as required. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. The recording of compensation expense for PSUs has no impact on net cash flows.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Restricted Stock Units — A restricted stock unit ("RSU") represents the right to receive a share of the Company's common stock. RSUs are eligible to be earned at the end of a specified restricted period, generally three years, beginning on the date of grant. During the nine and three months ended September 30, 2011, the Company recorded stock-based compensation related to awards of RSUs as a component of operations and maintenance expense of $243, and $102, respectively. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. The following table summarizes nonvested RSU transactions for the nine months ended September 30, 2011:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	—	$ —
Granted	44,342	22.21
Vested	—	—
Forfeited	—	—
Nonvested stock units at end of period	44,342	$ 22.21

Stock Options — The fair value of stock options is estimated at the grant date using the Black-Scholes option-pricing model. The following table provides compensation costs for stock-based compensation related to stock options granted in prior periods:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Stock-based compensation for stock options within operations and maintenance expenses	$ 1,105	$ 1,540	$ 337	$ 526
Income tax benefit	561	502	141	201

There were no stock options granted during the nine months ended September 30, 2011. During the second quarter of 2011, the Company changed its estimation assumptions related to its historical stock option forfeitures which resulted in a favorable adjustment to compensation expense of $644 and additional income tax expense of $52.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

The following table summarizes stock option transactions for the nine months ended September 30, 2011:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Options:				
Outstanding at beginning of period	3,839,197	$ 19.54		
Granted	—			
Forfeited	(12,356)	18.56		
Expired	(10,796)	23.13		
Exercised	(375,023)	15.56		
Outstanding at end of period	3,441,022	$ 19.97	5.2	$ 9,835
Exercisable at end of period	2,956,178	$ 20.31	4.7	$ 8,055

Restricted Stock — During the nine months ended September 30, 2011 and 2010, the Company recorded stock-based compensation related to restricted stock awards as a component of operations and maintenance expense in the amounts of $1,451 and $1,555, respectively. During the three months ended September 30, 2011 and 2010, the Company recorded stock-based compensation related to restricted stock awards as a component of operations and maintenance expense in the amounts of $351 and $412, respectively. The following table summarizes nonvested restricted stock transactions for the nine months ended September 30, 2011:

	Number of Shares	Weighted Average Fair Value
Nonvested shares at beginning of period	233,387	$ 17.62
Granted	16,000	22.44
Vested	(88,704)	18.60
Forfeited	(1,824)	17.23
Nonvested share units at end of period	158,859	$ 17.56

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 8 Pension Plans and Other Postretirement Benefits

The Company maintains qualified defined benefit pension plans, nonqualified pension plans and other postretirement benefit plans for certain of its employees. The net periodic benefit cost is based on estimated values and an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover, and medical costs. The following tables provide the components of net periodic benefit costs:

	Pension Benefits			
	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Service cost	$ 3,469	$ 3,396	$ 1,382	$ 1,052
Interest cost	10,160	9,702	4,232	3,262
Expected return on plan assets	(9,842)	(8,545)	(4,651)	(2,953)
Amortization of prior service cost	260	141	173	71
Amortization of actuarial loss	3,057	3,222	1,024	1,162
Capitalized costs	(2,761)	(2,493)	(954)	(808)
Settlement charge	—	1,068	—	184
Curtailment charge	100	—	100	—
Net periodic benefit cost	$ 4,443	$ 6,491	$ 1,306	$ 1,970

	Other Postretirement Benefits			
	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Service cost	$ 927	$ 847	$ 176	$ 237
Interest cost	2,071	1,831	447	591
Expected return on plan assets	(1,523)	(1,402)	(281)	(478)
Amortization of transition obligation	78	78	9	26
Amortization of prior service cost	(201)	(201)	(23)	(67)
Amortization of actuarial loss	627	464	216	122
Amortization of regulatory asset	102	102	34	34
Capitalized costs	(528)	(369)	(185)	(119)
Curtailment charge	27	—	27	—
Net periodic benefit cost	$ 1,580	$ 1,350	$ 420	$ 346

Included within the Company's net periodic benefit costs for the nine months ended September 30, 2011 and 2010 is $1,118 and $1,121, respectively, and for the three months ended September 30, 2011 and 2010 is $405 and $333, respectively, of net periodic benefit costs associated with discontinued operations.

The Company made cash contributions of $16,840 to its defined benefit pension plans during the first nine months of 2011, and intends to make cash contributions of $300 to the plans during the remainder of 2011. In addition, the Company expects to make cash contributions of $2,012 for the funding of its other postretirement benefit plans during the remainder of 2011.

Note 9 Water and Wastewater Rates

During the first nine months of 2011, the Company's operating divisions in North Carolina, Ohio, Indiana, Pennsylvania, and Maine, were granted base rate increases designed to increase total operating revenues on an annual basis by $6,087.

During the first nine months of 2011, the Company's operating division in Pennsylvania received infrastructure rehabilitation surcharges of $13,150. Infrastructure rehabilitation surcharges are capped as a percentage of base rates, generally at 5% to 9% of base rates, and are reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark.

In October 2010, the Company's operating subsidiary in Texas began to bill interim rates for one of its divisions in accordance with authorization from the Texas Commission on Environmental Quality ("TCEQ"). The additional revenue billed and collected prior to the TCEQ'S final ruling is subject to refund based on the outcome of the rate case. The rate case is expected to conclude with the issuance of an order in the fourth quarter of 2011. However, based on the Company's review of the rate proceeding during the third quarter of 2011, a revenue reserve was removed and additional operating revenues were recognized of $3,098. As of September 30, 2011, to date we have recognized $6,195 of revenue that is subject to refund based on the outcome of the final commission order. Based on the Company's review of the present circumstances, a reserve is not considered necessary for the revenue recognized to date.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 10 Taxes Other than Income Taxes

The following table provides the components of taxes other than income taxes:

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Property	$ 20,782	$ 20,466	$ 6,930	$ 7,376
Capital stock	2,668	2,641	895	850
Gross receipts, excise and franchise	7,818	7,790	2,881	3,111
Payroll	5,523	5,267	1,583	1,519
Other	4,584	3,821	1,875	1,326
Total taxes other than income	$ 41,375	$ 39,985	$ 14,164	$ 14,182

Included within the Company's taxes other than income taxes for the nine months ended September 30, 2011 and 2010 is $8,249 and $7,824, respectively, and for the three months ended September 30, 2011 and 2010 is $2,840 and $2,740, respectively, of taxes other than income taxes associated with discontinued operations.

Note 11 Segment Information

The Company has identified thirteen operating segments and has one reportable segment named the "Regulated" segment. The reportable segment is comprised of twelve operating segments for the Company's water and wastewater regulated utility companies which are organized by the states where we provide these services. In addition, one segment is not quantitatively significant to be reportable and is comprised of the businesses that provide on-site septic tank pumping, sludge hauling services and certain other non-regulated water and wastewater services. This segment is included as a component of "Other" in the tables below. Also included in "Other" are corporate costs that have not been allocated to the Regulated segment and intersegment eliminations.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

The following table presents the Company's segment information for its continuing operations:

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	Regulated	Other	Consolidated	Regulated	Other	Consolidated
Operating revenues	$ 194,068	$ 3,260	$ 197,328	$ 190,656	$ 2,821	$ 193,477
Operations and maintenance expense	69,016	1,023	70,039	66,014	2,894	68,908
Depreciation	27,461	(329)	27,132	26,706	(212)	26,494
Operating income (loss)	85,573	2,186	87,759	83,436	(113)	83,323
Interest expense, net of AFUDC	16,668	1,088	17,756	16,210	1,346	17,556
Income tax	24,396	307	24,703	26,798	(1,070)	25,728
Income (loss) from continuing operations	44,589	927	45,516	40,692	(362)	40,330

	Nine Months Ended September 30, 2011			Nine Months Ended September 30, 2010		
	Regulated	Other	Consolidated	Regulated	Other	Consolidated
Operating revenues	$ 529,764	$ 9,492	$ 539,256	$ 506,820	$ 8,183	$ 515,003
Operations and maintenance expense	196,033	4,502	200,535	191,224	7,224	198,448
Depreciation	81,069	(1,185)	79,884	78,629	(994)	77,635
Operating income	216,584	4,792	221,376	196,758	757	197,515
Interest expense, net of AFUDC	49,489	3,258	52,747	47,810	2,713	50,523
Gain on sale of other assets	178	297	475	221	2,073	2,294
Income tax	55,985	318	56,303	59,996	(1,423)	58,573
Income from continuing operations	111,288	1,513	112,801	89,173	1,540	90,713
Capital expenditures	225,007	1,068	226,075	231,216	326	231,542

	September 30, 2011	December 31, 2010
Total assets:		
Regulated	$ 4,142,219	$ 3,991,493
Other and eliminations	85,850	80,973
Consolidated	$ 4,228,069	$ 4,072,466

Included within the Company's regulated segment total assets for September 30, 2011 and December 31, 2010 are total assets of discontinued operations of $169,727 and $163,499, respectively.

Note 12 Commitments and Contingencies

The Company is routinely involved in various disputes, claims, lawsuits and other regulatory and legal matters, including both asserted and unasserted legal claims, in the ordinary course of business. The status of each such matter, referred to herein as a loss contingency, is reviewed and assessed in accordance with applicable accounting rules regarding the nature of the matter, the likelihood that a loss will be incurred, and the amounts involved. As of September 30, 2011, the aggregate amount of $10,910 is accrued for loss contingencies and is reported in the Company's consolidated balance sheet as other accrued liabilities and other liabilities. These accruals represent management's best estimate of probable loss (as defined in the accounting guidance) for loss contingencies or the low end of a range of losses if no single probable loss can be estimated. For some loss contingencies, the Company is unable to estimate the amount of the probable loss or range of probable losses. While the final outcome of these loss contingencies cannot be predicted with certainty, and unfavorable outcomes could negatively impact the Company, at this time in the opinion of management, the final resolution of these matters are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Further, the Company has insurance coverage for certain of these loss contingencies, and as of September 30, 2011, estimates that approximately $1,191 of the amount accrued for these matters are probable of recovery through insurance, which amount is also reported in the Company's consolidated balance sheet as deferred charges and other assets, net.

AQUA AMERICA, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 13 Income Taxes

As of September 30, 2011, the Company recorded a deferred tax asset for a Federal net operating loss ("NOL") carryforward of $46,135, and for the Company's Pennsylvania operating subsidiary, a state NOL of $20,621. The Company believes the Federal and state NOL carryforwards are more likely than not to be recovered and require no valuation allowance. The Company's Federal and state NOL carryforwards do not begin to expire until 2030 and 2031, respectively.

On October 5, 2011, the Company received from the Internal Revenue Service its 2010 income tax refund of $33,600. The refund resulted from a substantial portion of the Company's capital expenditures qualifying for either bonus depreciation or the 100% expensing allowance.

Note 14 Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued revised accounting guidance for accounting for intangible assets, which is intended to reduce the cost and complexity of the annual goodwill impairment test by permitting an entity the option of performing a qualitative assessment to determine whether further impairment testing is necessary. The revised guidance is effective for annual periods beginning after December 15, 2011. The Company will adopt the provisions of the revised guidance as of January 1, 2012, and the Company does not expect the impact of the adoption of the revised guidance to have an impact on the Company's consolidated results of operations or consolidated financial position.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(In thousands of dollars, except per share amounts)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-looking Statements

This Management's Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Quarterly Report contain, in addition to historical information, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address, among other things: our belief in our ability to renew our short-term lines of credit; the impact and the actions we may need to take if we are unable to obtain sufficient capital; the projected impact of various legal proceedings; the projected effects of recent accounting pronouncements; prospects, plans, objectives, expectations and beliefs of management, as well as information contained in this report where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans," "future," "potential," "probably," "predictions,"intends," "will," "continue" or the negative of such terms or similar expressions. Forward-looking statements are based on a number of assumptions concerning future events, and are subject to a number of risks, uncertainties and other factors, many of which are outside our control, which could cause actual results to differ materially from those expressed or implied by such statements. These risks and uncertainties include, among others: the effects of regulation, abnormal weather, changes in capital requirements and funding, acquisitions, changes to the capital markets, and our ability to assimilate acquired operations, as well as those risks, uncertainties and other factors discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in such report. As a result, readers are cautioned not to place undue reliance on any forward-looking statements. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events or otherwise.

General Information

Nature of Operations — Aqua America, Inc. ("we" or "us"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be approximately 3 million people in Pennsylvania, Ohio, North Carolina, Illinois, Texas, New Jersey, New York, Florida, Indiana, Virginia, Maine, and Georgia. Our largest operating subsidiary, Aqua Pennsylvania, Inc., provides water or wastewater services to approximately one-half of the total number of people we serve, who are located in the suburban areas in counties north and west of the City of Philadelphia and in 25 other counties in Pennsylvania. Our other subsidiaries provide similar services in 11 other states. In July 2011, we entered into a definitive agreement to purchase all of American Water Works Company, Inc's regulated operations in Ohio (the "Ohio acquisition"), which serve approximately 57,000 customers, and to simultaneously sell our regulated water and wastewater operations in New York, which serve approximately 51,000 customers. Also, in July 2011, we entered into a definitive agreement to sell our operations in Maine, which serve approximately

16,000 customers. The Ohio acquisition will be financed by the issuance of long-term and / or short-term debt. The proceeds from the dispositions of our operations in New York and Maine will be used to paydown a portion of our short-term debt and other general corporate purposes. These transactions are conditioned, among other things, on the receipt of regulatory approvals, and are expected to close in the first quarter of 2012. We are accounting for the sale of our water and wastewater operations in New York and Maine as discontinued operations. The completion of these transactions will conclude our operations in New York and Maine. In December 2010, we entered into a definitive agreement to sell our regulated water and wastewater operations in Missouri, which served approximately 3,900 customers. The sale of our utility in Missouri closed in May 2011, concluding the bulk of our utility operations in Missouri. In addition, we provide water and wastewater service through operating and maintenance contracts with municipal authorities and other parties close to our utility companies' service territories as well as sludge hauling, septage and grease services, backflow prevention services, and certain other non-regulated water and wastewater services.

Aqua America, Inc., which prior to its name change in 2004 was known as Philadelphia Suburban Corporation, was formed in 1968 as a holding company for its primary subsidiary, Aqua Pennsylvania, Inc., formerly known as Philadelphia Suburban Water Company. In the early 1990s, we embarked on a growth-through-acquisition strategy focused on water and wastewater operations. Our most significant transactions to date have been the merger with Consumers Water Company in 1999, the acquisition of the regulated water and wastewater operations of AquaSource, Inc. in 2003, the acquisition of Heater Utilities, Inc. in 2004, and the acquisition of New York Water Service Corporation in 2007. Since the early 1990s, our business strategy has been primarily directed toward the regulated water and wastewater utility industry and has extended our regulated operations from southeastern Pennsylvania to include operations in 11 other states.

Financial Condition

During the first nine months of 2011, we had $229,006 of capital expenditures, including capital expenditures associated with discontinued operations of $2,931, and repaid debt and made sinking fund contributions and other loan repayments of $46,822, including repayments of debt associated with discontinued operations of $345. The capital expenditures were related to improvements to treatment plants, new and rehabilitated water mains, tanks, hydrants, and service lines, well and booster improvements, and other enhancements and improvements.

At September 30, 2011, we had $7,988 of cash and cash equivalents compared to $5,934 at December 31, 2010. During the first nine months of 2011, we used the proceeds from internally generated funds, the sale of other assets, and the sale or issuance of common stock through our equity compensation plan and dividend reinvestment plan, to fund the cash requirements discussed above and to pay dividends. On October 5, 2011, we received from the Internal Revenue Service our 2010 income tax refund of $33,600. This refund results from a substantial portion of our capital expenditures qualifying for either bonus depreciation or the 100% expensing allowance. The proceeds will be used to paydown a portion of our short-term debt and other general corporate purposes.

At September 30, 2011, our $95,000 unsecured revolving credit facility, which expires in May 2012, had $30,399 available for borrowing, and we have begun discussions on the renewal terms for another multi-year facility with our lenders. At September 30, 2011, we had short-term lines of credit of $164,500, which includes a short-term line of credit associated with a discontinued operation of $4,000, of which $61,522 was available. We did not renew one of our credit lines in the amount of $2,500, which expired on July 1, 2011, as it was no longer needed. One of our short-term lines of credit is an Aqua Pennsylvania $100,000 364-day unsecured revolving credit facility with three banks, which is used to provide working capital, and as of September 30, 2011, $19,763 was available.

Our short-term lines of credit of $164,500 are subject to renewal on an annual basis. Although we believe we will be able to renew these facilities, there is no assurance that they will be renewed, or what the terms of any such renewal will be. The United States credit and liquidity crisis that occurred in 2008 and 2009 caused substantial volatility in capital markets, including credit markets and the banking industry, generally reduced the availability of credit from financing sources, and could re-occur in the future. If in the future, our credit facilities are not renewed or our short-term borrowings are called for repayment, we would have to seek alternative financing sources; however, there can be no assurance that these alternative financing sources would be available on terms acceptable to us. In the event we are not able to obtain sufficient capital, we may need to reduce our capital expenditures and our ability to pursue acquisitions that we may rely on for future growth could be impaired.

The Company's consolidated balance sheet historically has had a negative working capital position whereby routinely our current liabilities exceed our current assets. Management believes that internally generated funds along with existing credit facilities and the proceeds from the issuance of long-term debt and common stock will be adequate to provide sufficient working capital to maintain normal operations and to meet our financing requirements for at least the next twelve months.

Results of Operations

Analysis of First Nine Months of 2011 Compared to First Nine Months of 2010

Unless specifically noted, the following discussion of the Company's results of operations for the first nine months of 2011 refers to the Company's results of operations from continuing operations.

Revenues increased $24,253 or 4.7% primarily due to additional revenues associated with increased water and wastewater rates of $27,713 and additional water and wastewater revenues of $2,630 associated with a larger customer base due to acquisitions. Included as a component of the rates impact is $3,098 of additional revenue recognized in the third quarter of 2011 from our revised estimate of the final outcome of a rate proceeding. Offsetting these increases were decreases in customer water consumption largely due to unfavorable weather conditions in many of our service territories during the third quarter of 2011, as well an increase in water conservation awareness by our customers.

Operations and maintenance expenses increased by $2,087 or 1.1% primarily due to increased water production costs of $3,023, an increase in postretirement benefits expenses of $1,964, increases in operating costs associated with acquired utility systems and other growth ventures of $1,954, increases in fuel costs for our service vehicles of $869, and normal increases in other operating costs. Offsetting these increases were the gains on the sales of our utility systems recognized during the first nine months of 2011 of $4,319, the effect of the write-off in 2010 of previously deferred regulatory expenses of $2,082, decreased insurance expense of $1,882, and reduced expenses of $870 associated with the disposition of utility systems. The increase in water production costs is primarily due to an increase in the cost of purchased water.

Depreciation expense increased $2,249 or 2.9% due to the utility plant placed in service since September 30, 2010.

Amortization decreased $4,909 primarily due to the additional expense recognized in the first nine months of 2010 of $5,168 resulting from the recovery of our costs associated with a completed rate filing in Texas, offset by the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes increased by $965 or 3.0% primarily due to an increase in taxes assessed resulting from the pumping of ground water of $759.

Interest expense increased by $4,039 or 7.4% primarily due to additional borrowings to finance capital projects, offset partially by decreased interest rates on long-term debt.

Allowance for funds used during construction ("AFUDC") increased by $1,815 primarily due to an increase in the average balance of proceeds held from tax-exempt bond issuances that are restricted to funding certain capital projects.

Gain on sale of other assets totaled $475 in the first nine months of 2011 and $2,294 in the first nine months of 2010. The decrease of $1,819 is principally due to a gain on the sale of an investment that occurred in the first quarter of 2010.

Our effective income tax rate was 33.3% in the first nine months of 2011 and 39.2% in the first nine months of 2010. The effective income tax rate decreased as a result of the recognition in 2011 of the net state income tax benefit of $11,193 associated with 100% bonus depreciation for qualifying capital additions.

Income from continuing operations increased by $22,088 or 24.3%, in comparison to the same period in 2010 primarily as a result of the factors described above. On a diluted per share basis, income from continuing operations increased $0.15 reflecting the change in income from continuing operations and a 1.1% increase in the average number of common shares outstanding. As compared to the first nine months of 2010, income from continuing operations adjusted to exclude the net state income tax benefit associated with 100% bonus depreciation, a non-GAAP financial measure, would have increased by $0.07 per share. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through our dividend reinvestment plan and equity compensation plan.

Income from discontinued operations decreased by $8,141 or $0.06 per diluted share, in comparison to the same period in 2010 primarily as a result of the income tax expense recognized in the third quarter of 2011 of $7,438 for the additional deferred tax liabilities that arise from the difference between the stock and tax basis of the Company's investment in its discontinued operations.

Net income attributable to common shareholders increased by $13,947 or 14.7%, in comparison to the same period in 2010 primarily as a result of the factors described above. On a diluted per share basis, earnings increased $0.10 reflecting the change in net income attributable to common shareholders and a 1.1% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through our dividend reinvestment plan and equity compensation plan.

Results of Operations

Analysis of Third Quarter of 2011 Compared to Third Quarter of 2010

Unless specifically noted, the following discussion of the Company's results of operations for the third quarter of 2011 refers to the Company's results of operations from continuing operations.

Revenues increased $3,851 or 2.0% primarily due to additional revenues associated with increased water and wastewater rates of $9,212 and additional water and wastewater revenues of $1,341 associated with a larger customer base due to acquisitions. Included as a component of the rates impact is $3,098 of additional revenue recognized in the third quarter of 2011 from our revised estimate of the final outcome of a rate proceeding. Offsetting these increases were decreases in customer water consumption largely due to unfavorable weather conditions in many of our service territories during the third quarter of 2011 as well an increase in water conservation awareness by our customers.

Operations and maintenance expenses increased by $1,131 or 1.6% primarily due to increases in operating costs associated with acquired utility systems and other growth ventures of $1,133, an increase in postretirement benefits expenses of $509, increases in fuel costs for our service vehicles of $420, and normal increases in other operating costs. Offsetting these increases was a decrease in insurance expense of $1,216, the effect of the write-off in the third quarter of 2010 of previously deferred regulatory expenses of $1,071, and reduced expenses of $596 associated with the disposition of utility systems.

Depreciation expense increased $638 or 2.4% due to the utility plant placed in service since September 30, 2010.

Amortization decreased $2,236 primarily due to the additional expense recognized in the third quarter of 2010 of $1,737 resulting from the recovery of our costs associated with a completed rate filing in Texas, offset by the amortization of the costs associated with, and other costs being recovered in, various rate filings.

Taxes other than income taxes decreased by $118 or 1.0% primarily due to decreases in taxes assessed.

Interest expense increased by $986 or 5.3% primarily due to additional borrowings to finance capital projects, offset partially by decreased interest rates on long-term debt.

Allowance for funds used during construction ("AFUDC") increased by $786 primarily due to an increase in the average balance of proceeds held from tax-exempt bond issuances that are restricted to funding certain capital projects.

Gain on sale of other assets totaled $216 in the third quarter of 2011 and $291 in the third quarter of 2010. The decrease of $75 is principally due to the timing of sales of land and other property.

Our effective income tax rate was 35.2% in the third quarter of 2011 and 38.9% in the third quarter of 2010. The effective income tax rate decreased as a result of the recognition in 2011 of the net state income tax benefit of $3,382 associated with 100% bonus depreciation for qualifying capital additions.

Income from continuing operations increased by $5,186 or 12.9%, in comparison to the same period in 2010 primarily as a result of the factors described above. On a diluted per share basis, income from continuing operations increased $0.04 reflecting the change in income from continuing operations and a 1.1% increase in the average number of common shares outstanding. As compared to the third quarter of 2010, income from continuing operations adjusted to exclude the net state income tax benefit associated with 100% bonus depreciation, a non-GAAP financial measure, would have increased by $0.01 per share. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through dividend reinvestment plan and our equity compensation plan.

Income from discontinued operations decreased by $7,814 or $0.05 per diluted share, in comparison to the same period in 2010 primarily as a result of the income tax expense recognized in the third quarter of 2011 of $7,438 for the additional deferred tax liabilities that arise from the difference between the stock and tax basis of the Company's investment in its discontinued operations.

Net income attributable to common shareholders decreased by $2,628 or 6.0%, in comparison to the same period in 2010 primarily as a result of the factors described above. On a diluted per share basis, earnings decreased $0.02 reflecting the change in net income attributable to common shareholders and a 1.1% increase in the average number of common shares outstanding. The increase in the number of shares outstanding is primarily a result of the additional shares sold or issued through our dividend reinvestment plan and equity compensation plan.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)
(In thousands of dollars, except per share amounts)

Impact of Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued revised accounting guidance for accounting for intangible assets, which is intended to reduce the cost and complexity of the annual goodwill impairment test by permitting an entity the option of performing a qualitative assessment to determine whether further impairment testing is necessary. The revised guidance is effective for annual periods beginning after December 15, 2011. The Company will adopt the provisions of the revised guidance as of January 1, 2012, and the Company does not expect the impact of the adoption of the revised guidance to have an impact on the Company's consolidated results of operations or consolidated financial position.

AQUA AMERICA, INC. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)
(In thousands of dollars, except per share amounts)

Non-Generally Accepted Accounting Principle ("GAAP") Financial Measures

In addition to reporting "income from continuing operations" and "income from continuing operations per common share", U.S. GAAP financial measures, we are presenting below "income from continuing operations before net state income tax benefit associated with 100% bonus depreciation" and "income from continuing operations per common share before net state income tax benefit associated with 100% bonus depreciation", which are considered non-GAAP financial measures. The Company is providing disclosure of the reconciliation of these non-GAAP measures to their most comparable GAAP financial measures. The Company believes that the non-GAAP financial measures provide investors the ability to measure the Company's financial operating performance excluding the net state income tax benefit associated with 100% bonus depreciation, which is more indicative of the Company's ongoing performance, and is more comparable to measures reported by other companies. The Company further believes that the presentation of these non-GAAP financial measures is useful to investors as a more meaningful way to compare the Company's operating performance against its historical financial results and to assess the underlying profitability of our core business. As currently enacted, 100% bonus depreciation is in effect for qualifying capital additions placed in service from September 8, 2010 through December 31, 2011.

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2011	2010	2011	2010
Income from continuing operations (GAAP financial measure)	$ 112,801	$ 90,713	$ 45,516	$ 40,330
Less: Net state income tax benefit associated with 100% bonus depreciation	11,193	—	3,382	—
Income from continuing operations before net state income tax benefit associated with 100% bonus depreciation (Non-GAAP financial measure)	$ 101,608	$ 90,713	$ 42,134	$ 40,330
Income from continuing operations per common share (GAAP financial measure):				
Basic	$ 0.82	$ 0.66	$ 0.33	$ 0.29
Diluted	$ 0.81	$ 0.66	$ 0.33	$ 0.29
Income from continuing operations per common share before net state income tax benefit associated with 100% bonus depreciation (Non-GAAP financial measure):				
Basic	$ 0.74	$ 0.66	$ 0.30	$ 0.29
Diluted	$ 0.73	$ 0.66	$ 0.30	$ 0.29
Average common shares outstanding:				
Basic	138,081	136,798	138,297	137,095
Diluted	138,625	137,112	138,951	137,394

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. There have been no significant changes in our exposure to market risks since December 31, 2010. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2010 for additional information.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

(b) Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

The City of Fort Wayne, Indiana (the "City") authorized the acquisition by eminent domain of the northern portion of the utility system of one of the Company's operating subsidiaries in Indiana. In 2008, we reached a settlement agreement with the City to transition this portion of the system in 2008 upon receipt of the City's initial valuation payment of $16,910,500. The settlement agreement specifically stated that the final valuation of the system will be determined through a continuation of the legal proceedings that were filed challenging the City's valuation. On February 12, 2008, we turned over the northern portion of the system to the City upon receipt of the initial valuation payment. The proceeds received by the Company are in excess of the book value of the assets relinquished. No gain has been recognized due to the contingency over the final valuation of the assets. Once

the contingency is resolved and the asset valuation is finalized, through the finalization of the litigation between the Company and the City of Fort Wayne, the amounts deferred will be recognized in the Company's consolidated income statement. On March 16, 2009, oral argument was held before the Allen County Circuit Court on certain procedural aspects with respect to the valuation evidence that may be presented and whether we are entitled to a jury trial. On October 12, 2010, the Wells County Indiana Circuit Court ruled that the Company is not entitled to a jury trial, and that the Wells County judge should review the City of Fort Wayne Board of Public Works' assessment based upon a "capricious, arbitrary or an abuse of discretion" standard. The Company disagreed with the Court's decision and as such, on November 11, 2010, requested that the Wells County Indiana Circuit Court certify those issues for an interim appeal. The Wells County Circuit Court granted that request and on March 7, 2011, the Indiana Court of Appeals granted the Company's request to review the decision of those issues on appeal. On July 6, 2011, the Company filed its appeal with the Indiana Court of Appeals. The case is now pending before the Indiana Court of Appeals. Depending upon the ultimate outcome of all of the legal proceedings we may be required to refund a portion of the initial valuation payment, or may receive additional proceeds. The northern portion of the system relinquished represented approximately 0.40% of Aqua America's total assets.

A lawsuit was filed by a husband and wife who lived in a house abutting a percolation pond at a wastewater treatment plant owned by one of the Company's subsidiaries, Aqua Utilities Florida, Inc., in Pasco County, Florida. The lawsuit was originally filed in August 2006 in the circuit court for the Sixth Judicial Circuit in and for Pasco County, Florida and has been amended several times by the plaintiffs. The lawsuit alleged our subsidiary was negligent in the design, operation and maintenance of the plant, resulting in bodily injury to the plaintiffs and various damages to their property. Subsequent amendments to the complaint included additional counts alleging trespass, nuisance, and strict liability. A trial of this matter during January 2011 resulted in a judicial dismissal of the count for strict liability and jury verdicts in favor of the Company on the remaining counts. On June 16, 2011, the plaintiffs agreed to dismiss their appeals and to release all claims against our subsidiary and the Company, which resulted in the conclusion of the original plaintiffs' litigation against our subsidiary. In the third quarter of 2008, approximately thirty-five additional plaintiffs, associated with approximately eight other homes in the area, filed a lawsuit with the same court making similar allegations against our subsidiary with respect to the operation of the facility. No trial date has been set for this lawsuit, but some of these plaintiffs testified in the trial of the original lawsuit in which all allegations were resolved in the Company's favor. The lawsuit has been submitted to our insurance carriers, who have reserved their rights with respect to various portions of the plaintiffs' claims. Based on the ultimate outcome of the litigation, we may or may not have insurance coverage for parts or all of the claim. The Company continues to assess this matter and any potential loss. At this time, the Company believes that the estimated amount of any potential loss would not be material to the Company's consolidated results of operations or consolidated financial condition.

In July 2010 one of the Company's subsidiaries, Aqua Pennsylvania, Inc., received a notice of violation from the Pennsylvania Department of Environmental Protection (the "DEP"). The notice of violation resulted from the subsidiary's commencement of construction of a water tank prior to receipt of a construction permit from DEP. The permit was subsequently received. On September 29, 2010, the DEP notified the Company of a proposed penalty of $120,000 in connection with the violation. A settlement has been reached with the DEP and the penalty amount was reduced to $80,000 as of August 1, 2011, which was paid on August 10, 2011

Item 1A. Risk Factors

There have been no material changes to the risks disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010 ("Form 10-K") under "Part 1, Item 1A — Risk Factors."

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes Aqua America's purchases of its common stock for the quarter ended September 30, 2011:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs (2)
July 1 - 31, 2011	—	—	—	548,278
August 1 - 31, 2011	151	$ 21.78	—	548,278
September 1 - 30, 2011	—	—	—	548,278
Total	151	$ 21.78	—	548,278

(1) These amounts consist of shares we purchased from employees who elected to pay the exercise price of their stock options (and then hold shares of the stock) upon exercise by delivering to us (and, thus, selling) shares of Aqua America common stock in accordance with the terms of our equity compensation plans that were previously approved by our shareholders and disclosed in our proxy statements. This feature of our equity compensation plan is available to all employees who receive stock-based compensation under the plans. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day prior to the option exercise.

(2) On August 5, 1997, our Board of Directors authorized a common stock repurchase program that was publicly announced on August 7, 1997, for up to 1,007,351 shares. No repurchases have been made under this program since 2000. The program has no fixed expiration date. The number of shares authorized for purchase was adjusted as a result of the stock splits affected in the form of stock distributions since the authorization date.

AQUA AMERICA, INC. AND SUBSIDIARIES

Item 6. Exhibits

The information required by this Item is set forth in the Exhibit Index hereto which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be executed on its behalf by the undersigned thereunto duly authorized.

November 4, 2011

Aqua America, Inc.
Registrant

Nicholas DeBenedictis
Nicholas DeBenedictis
Chairman, President and Chief Executive Officer

David P. Smeltzer
David P. Smeltzer
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
2.1	Stock Purchase Agreement, dated as of July 26, 2011, by and between Aqua America, Inc. and Connecticut Water Service, Inc.
2.2	Stock Purchase Agreement, dated as of July 8, 2011, by and among American Water Works Company, Inc., Ohio-American Water Company and Aqua Ohio, Inc.
2.3	Stock Purchase Agreement, dated as of July 8, 2011, by and among Aqua Utilities, Inc., Aqua New York, Inc. and American Water Works Company, Inc.
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934.
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRES	XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 2.1

EXECUTION VERSION

STOCK PURCHASE AGREEMENT

by and between

AQUA AMERICA, INC.
(a Pennsylvania corporation),

and

CONNECTICUT WATER SERVICE, INC.
(a Connecticut corporation),

for the purchase and sale of all of the capital stock of

AQUA MAINE, INC.
(a Maine corporation)

Dated as of July 26, 2011

TABLE OF CONTENTS

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "**Agreement**") is made as of July 26, 2011, by and between Aqua America, Inc., a Pennsylvania corporation (the "**Seller**"), and Connecticut Water Service, Inc., a Connecticut corporation (the "**Buyer**").

RECITALS

A. Aqua Maine, Inc., a Maine corporation and wholly-owned subsidiary of the Seller (the "**Company**"), is a public water utility engaged in the collection, treatment, and distribution of potable water in the State of Maine (the "**Business**").

B. The Seller is the holder of all of the issued and outstanding shares of common stock, $25.00 par value per share ("**Common Stock**"), of the Company (the "**Shares**").

C. The Buyer desires to acquire from the Seller, and the Seller desires to sell to the Buyer, for the consideration hereinafter provided, all of the Shares.

NOW, THEREFORE, in consideration of the respective representations, warranties and covenants contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

1.1 **Certain Definitions**. As used in this Agreement, the following terms shall have the following meanings:

"**Affiliate**" shall have the meaning given to such term in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as in effect as of the date of this Agreement.

"**Affiliated Group**" means any affiliated group within the meaning of Code Section 1504(a) or any similar group defined under a similar provision of state or local law.

"**Business Day**" means a day on which banks are open for business in the State of Connecticut.

"**COBRA**" means the requirements of Part 6 of Subtitle B of Title I of ERISA, Code Section 4980B, and of any similar state law.

"**Closing Working Capital**" means the Working Capital of the Company determined as of the close of business on the Closing Date.

"**Current Assets**" means the following current assets of the Company to the extent that the Buyer receives the benefit of such current assets following the Closing: (i) cash and cash equivalents (net of issued but uncleared checks and drafts but including checks and other wire transfers and drafts deposited or available for the account of the Seller), (ii) accounts receivable (net of allowance for doubtful accounts), (iii) unbilled revenues, (iv) prepaid materials and supplies, and (v) other current assets, all determined in accordance with GAAP applied using the same accounting methods, practices, principles, policies and procedures, with consistent classification, judgments and valuations and estimation methodologies that were used in the preparation of the Annual Financial Statements.

"**Current Liabilities**" means the following current liabilities of the Company: (i) the current portion of long-term debt, (ii) loans payable (including to Affiliates), (iii) accounts payable (including to Affiliates), (iv) accrued interest, and (v) other current liabilities, all determined in accordance with GAAP applied using the same accounting methods, practices, principles, policies and procedures, with consistent classification, judgments and valuations and estimation methodologies that were used in the preparation of the Annual Financial Statements.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"**GAAP**" means United States generally accepted accounting principles in effect from time to time.

"**Governmental Authority**" means any federal, state, local or foreign government or political subdivision thereof, or any agency or instrumentality of such government or political subdivision, or any self-regulated organization or other non-governmental regulatory authority or quasi-governmental authority (to the extent that the rules, regulations or orders of such organization or authority have the force of law), or any arbitrator, court or tribunal of competent jurisdiction.

"**Hazardous Substances**" means (a) the meaning set forth in Section 101(14) of CERCLA, 42 U.S.C. Section 9601(14) and (b) petroleum and petroleum by products.

"**Knowledge**" means the actual knowledge, after reasonable inquiry, of the following officers of the Company: (1) Nicholas DeBenedictis, Chairman; (2) Karl M. Kyriss, Chief Executive Officer; (3) Judy Wallingford, President; (4) Richard L. Knowlton, Vice President of Operations; (5) Roy H. Stahl, Vice President and Assistant Secretary; (6) Robert Kopas, Controller; (7) Gregory M. Leighton, Assistant Controller; and (8) Diana MoyKelly, Treasurer, or such other individuals who succeed any of the foregoing individuals in such positions and other individuals who perform the customary roles and functions indicated by such titles.

"**Material Adverse Effect**" means any event, occurrence, fact, condition or change that is, or could reasonably be expected to become, individually or in the aggregate, materially adverse to (a) the Business, results of operations, condition (financial or otherwise) or assets of the Company taken as a whole; provided, however, that the term "Material Adverse Effect" shall not include any change or effect that is or results from any of the following: (i) changes in GAAP, (ii) changes in law or interpretations thereof, or regulatory policy or interpretation, by any Governmental Authority, (iii) changes in general economic conditions, and events or conditions generally affecting the industries in which the Company operates, or (iv) national or international hostilities, acts of terror or acts of war, in the case of clauses (ii) and (iii), which do not have a materially disproportionate effect on the Company; or (b) the ability of the Seller or the Company to consummate timely the transactions contemplated hereby or to perform timely their respective obligations under this Agreement and the Transaction Documents.

"**Person**" means any natural person, corporation, partnership, trust, limited liability company or other collective legal entity.

"**Real Property**" means the real property owned, leased or subleased by the Company, together with all buildings, structures and facilities located thereon.

"**Target Working Capital**" means the Working Capital of the Company determined on December 31, 2010, which amount is agreed by the Buyer and the Seller to be $806,734.

"**Working Capital**" means Current Assets minus Current Liabilities.

1.2 **Other Definitions**. The following defined terms shall have the meaning set forth in the referenced Section:

Defined Term	As Defined in Section
414(l) Amount	5.9(d)(i)(A)
Agreement	Preamble
Allocable VEBA Assets	5.9(d)(iii)
Annual Financial Statements	3.5(a)
APBO	5.9(d)(iii)
ASC 715 Amount	5.9(d)(i)(D)
Assumed Benefit Liabilities	3.11(f)
Audited Balance Sheet	3.5(a)
Balance Sheet	3.5(a)
Balance Sheet Date	3.5(a)
Bankruptcy and Equity Exceptions	3.2
Benefit Plans	3.11(a)
Business	Recitals
Buyer	Preamble
Buyer Plans	5.9(c)(ii)
Buyer's 401(k) Plan	5.9(e)(i)
Buyer's Actuary	5.9(d)(i)(A)
Buyer's Pension Plan	5.9(d)(i)(A)
Ceiling	8.3
CERCLA	3.14(c)
CERCLIS	3.14(h)
Closing	2.8
Closing Agreement	3.6(b)(viii)
Closing Amount	2.3(c)
Closing Date	2.8
Closing Working Capital Statement	2.4(a)
Code	3.6(a)
Common Stock	Recitals
Company	Recitals
Company Intellectual Property	3.19
Contracts	3.9
Damages	8.1(b)
Deductible Amount	8.3
Direct Claim	8.6(g)
Disputed Amounts	2.6(c)
Employee Benefit Plan	3.11(a)
Employees	5.9(a)
Environmental Laws	3.14
Environmental Permits	3.14(a)
ERISA Affiliate	3.11(a)
Estimated Working Capital	2.3(a)
Estimated Working Capital Adjustment	2.3(b)
Exhibit	9.1

Defined Term	As Defined in Section
Final Working Capital	2.4(b)
Final Working Capital Adjustment	2.4(d)
Financing	5.19(a)
Indemnified Party	8.6(a)
Indemnifying Party	8.6(a)
Independent Accountants	2.6(c)
Insurance Policies	3.18
Interim Balance Sheet	3.5(a)
Interim Financials	3.5(a)
IRS	3.11(b)
PCBs	3.14(g)
Pension Participating Employees	5.9(d)(i)(A)
Pension Required Funding Differential	5.9(d)(i)(D)
Pre-Closing Tax Period	5.12(b)(i)
Preferred Stock	3.4(a)
Preliminary Final Working Capital	2.4(a)
PUCs	3.3(c)
Purchase Price	2.2
Released	3.14
Remedial Action	3.14
Resolution Period	2.6(b)
Review Period	2.6(a)
Schedule Supplement	5.14
Securities Act	4.4
Seller	Preamble
Seller's Actuary	5.9(d)(i)(A)
Seller Retiree Welfare Plan	5.9(c)(i)
Seller's 401(k) Plan	5.9(e)(i)
Seller's Pension Plan	5.9(d)(i)(A)
Seller's VEBA	5.9(d)(iii)
Shares	Recitals
Solvent	4.7
Statement of Objections	2.6(b)
STIF	5.9(d)(i)(B)
Straddle Period	5.12(b)(ii)
Tax or Taxes	3.6(a)
Tax Return	3.6(a)
Tax Ruling	3.6(b)(viii)
Taxing Authority	3.6(a)
Termination Fee	7.4
Third Party Claim	8.6(a)
Transaction Documents	3.2
Transition Services Agreement	5.11
Undisputed Amounts	2.6(c)
Water System	3.8(a)

ARTICLE II
THE PURCHASE AND SALE

2.1 **The Purchase and Sale of Shares**. Subject to the terms and conditions of this Agreement, at the Closing, the Seller agrees to sell, assign and convey the Shares to the Buyer, and the Buyer agrees to purchase, acquire and accept the Shares from the Seller.

2.2 **Purchase Price**. The aggregate purchase price for the Shares (the "**Purchase Price**") shall be an amount equal to $35,790,799, (i) plus the Pension Required Funding Differential and (ii) plus or minus the Final Working Capital Adjustment.

2.3 **Payment of the Purchase Price**.

(a) At least three (3) days prior to the Closing, the Seller shall deliver to the Buyer a statement setting forth in detail the Seller's good faith estimate of the Closing Working Capital prepared in accordance with the provisions of Section 2.4(a) (the "**Estimated Working Capital**") and the calculation of the Estimated Working Capital Adjustment; provided, that the Seller's calculation of the Estimated Working Capital Adjustment and the Closing Amount shall not foreclose, prevent, limit or preclude any rights, or remedies of the Buyer set forth herein.

(b) If the Estimated Working Capital is greater than the Target Working Capital, the "**Estimated Working Capital Adjustment**" shall be equal to the amount by which the Estimated Working Capital is greater than the Target Working Capital. If the Estimated Working Capital is less than the Target Working Capital, the Estimated Working Capital Adjustment shall be the negative amount by which the Estimated Working Capital is less than the Target Working Capital.

(c) At the Closing, the Buyer shall pay an amount aggregating $35,790,799 plus or minus the Estimated Working Capital Adjustment (the "**Closing Amount**") to the Seller by wire transfer of immediately available funds to an account designated by the Seller at least forty-eight (48) hours prior to the Closing.

2.4 **Final Working Capital Adjustment**.

(a) Within forty-five (45) days after the Closing Date, the Buyer shall prepare and deliver to the Seller (i) a statement setting forth the Buyer's calculation of the Closing Working Capital, which calculation shall be done in a manner consistent with the calculation of the Estimated Working Capital (the "**Preliminary Final Working Capital**"), (ii) a statement setting forth the Buyer's calculation of the Final Working Capital Adjustment ((i) and (ii) collectively are the "**Closing Working Capital Statement**"), and (iii) a certificate of the Chief Financial Officer of the Buyer that the Closing Working Capital Statement was prepared in accordance with GAAP applied in a manner consistent with the Company's past practice and in a manner consistent with the calculation of the Estimated Working Capital.

(b) If (i) no Statement of Objections has been delivered by the Seller within the Review Period, the Preliminary Final Working Capital as originally submitted by the Buyer shall be deemed the "**Final Working Capital**", or (ii) a Statement of Objections has been delivered by the Seller within the Review Period, the Preliminary Final Working Capital, as determined pursuant to resolution of such dispute in accordance with Section 2.6(c), shall be deemed the "**Final Working Capital**."

(c) If the Final Working Capital is greater than the Estimated Working Capital, the Final Working Capital Adjustment shall be equal to the amount by which the Final Working Capital is greater than the Estimated Working Capital. If the Final Working Capital is less than the Estimated Working Capital, the Final Working Capital Adjustment shall be the negative amount by which the Final Working Capital is less than the Estimated Working Capital.

(d) The adjustment to Purchase Price as finally determined pursuant to this Section 2.4 is referred to herein as the "**Final Working Capital Adjustment**" and is payable pursuant to Section 2.5.

2.5 **Payment of Final Working Capital Adjustment**. Except as otherwise provided herein, any payment of the Final Working Capital Adjustment, together with interest calculated at 1.5% per annum, shall (a) be due (i) within five (5) Business Days of acceptance of the applicable Closing Working Capital Statement or (ii) if there are Disputed Amounts, then within five (5) Business Days of the resolution described in Section 2.6(c) below; and (b) be paid by wire transfer of immediately available funds to such account as is directed by the Buyer or the Seller, as the case may be.

2.6 **Examination and Review**.

(a) Examination. After receipt of the Closing Working Capital Statement, the Seller shall have thirty (30) days (the "**Review Period**") to review the Closing Working Capital Statement. During the Review Period, the Seller's accountants shall have reasonable access during normal business hours to the relevant books and records of the Buyer and the Company, the relevant personnel of, and work papers prepared by, the Buyer, to the extent that they relate to the Closing Working Capital Statement and to such historical financial information (to the extent in the Buyer's possession) relating to the Closing Working Capital Statement as the Seller may reasonably request for the purpose of reviewing the Closing Working Capital Statement and to prepare a Statement of Objections, provided, that such access shall be in a manner that does not unduly interfere with the normal business operations of the Buyer or the Company.

(b) Objection. On or prior to the last day of the Review Period, the Seller may object to the Closing Working Capital Statement by delivering to the Buyer a written statement setting forth the Seller's objections in reasonable detail, indicating each disputed item, together with the amount thereof, and the basis for the Seller's disagreement therewith (the "**Statement of Objections**"). If the Seller fails to deliver the Statement of Objections before the expiration of the Review Period, the Closing Working Capital Statement and the Final Working Capital Adjustment, as the case may be, reflected in the Closing Working Capital Statement shall be deemed to have been accepted by the Seller. If the Seller delivers the Statement of Objections before the expiration of the Review Period, the Buyer and the Seller shall negotiate in good faith to resolve such objections within thirty (30) days after the delivery of the Statement of Objections (the "**Resolution Period**"), and, if the same are so resolved within the Resolution Period, the Final Working Capital Adjustment and the Closing Working Capital Statement, with such changes as may have been previously agreed in writing by the Buyer and the Seller, shall be final and binding.

(c) Resolution of Disputes. If the Buyer and the Seller fail to reach an agreement with respect to all or any of the matters set forth in the Statement of Objections before expiration of the Resolution Period, then any amounts remaining in dispute (the "**Disputed Amounts**" and any amounts not so disputed, the "**Undisputed Amounts**") shall be submitted for resolution to a nationally recognized firm of independent certified public accountants mutually acceptable to the Buyer and the Seller, other than the Seller's accountants or the Buyer's accountants (the "**Independent Accountants**") who, acting as experts and not arbitrators, shall resolve the Disputed Amounts only and make any adjustments to the Final Working Capital Adjustment and the Closing Working Capital Statement, as the case may be. The Independent Accountants shall only decide the specific items under dispute by the parties and their decision for each Disputed Amount must be within the range of values assigned to each such item in the Closing Working Capital Statement and the Statement of Objections, respectively.

(d) Fees of the Independent Accountants. The Seller shall pay that portion of the fees and expenses of the Independent Accountants equal to the quotient of the following: (i) the amount of Disputed Amounts submitted to the Independent Accountants that are resolved in favor of the Buyer (that being the difference between the Independent Accountants' determination and the Seller's determination) divided by (ii) the total amount of Disputed Amounts submitted to the Independent Accountants (that being the sum total by which the Buyer's determination and the Seller's determination differ from the determination of the Independent Accountants). The Buyer shall pay that portion of the fees and expenses of the Independent Accountants that the Seller is not required to pay under the preceding sentence.

(e) Determination by Independent Accountants. The Independent Accountants shall make a determination as soon as practicable after their engagement, and their resolution of the Disputed Amounts and their adjustments to the Closing Working Capital Statement and the Final Working Capital Adjustment shall be conclusive and binding upon the parties hereto.

2.7 **Payment of the Pension Required Funding Differential**. Payment of the Pension Required Funding Differential shall be due within five (5) Business Days after the determination of such Pension Required Funding Differential, as finally determined in accordance with the provisions of Section 5.9(d)(i), and shall be paid by wire transfer of immediately available funds to such account as is directed by the Seller.

2.8 **Closing**. Unless this Agreement is earlier terminated pursuant to Article VII, the closing of the purchase and sale of the Shares (the "**Closing**") shall take place as promptly as practicable, but no later than five (5) Business Days following the satisfaction or waiver of the conditions set forth in Article VI, at the offices of Murtha Cullina LLP in Hartford, Connecticut, unless another place or time is agreed to in writing by the Buyer and the Seller. The date upon which the Closing actually occurs is herein referred to as the "**Closing Date**."

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE SELLER

The Seller hereby represents and warrants to the Buyer as follows:

3.1 **Corporate Status**. Each of the Seller and the Company is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and is qualified to do business as a foreign corporation in any jurisdiction where it is required to be so qualified, except where the failure so to qualify would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Seller and the Company have heretofore made available to the Buyer complete and correct copies of the applicable articles of incorporation and bylaws as amended through the date of this Agreement, each of which is in full force and effect. The Company has no subsidiaries.

3.2 **Authorization and Enforceability**. The Company has the requisite power and authority to own its property and to carry on the Business in all material respects as now being conducted. The Seller has the requisite power and authority to execute and deliver this Agreement and any other certificates, agreements and documents contemplated hereby or thereby (the "**Transaction Documents**") to which it is a party and to perform the transactions contemplated hereby and thereby. Such execution, delivery and performance by the Seller has been duly authorized by all necessary corporate action. Each Transaction Document to which the Seller is a party has been duly executed and delivered by the Seller and, assuming the due authorization, execution and delivery by each of the other parties thereto, constitutes a valid and legally binding obligation of the Seller, enforceable against the Seller in accordance with its terms except (a) as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws now or hereafter in effect relating to creditors' rights generally and (b) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any action, suit, investigation or proceeding therefor may be brought (clauses (a) and (b) collectively, the "**Bankruptcy and Equity Exceptions**"). As of the Closing Date, each of the other Transaction Documents to which the Seller is a party will be duly executed and delivered by the Seller and, assuming the due authorization, execution and delivery by each of the other parties thereto, will constitute the valid and legally binding obligation of the Seller enforceable against the Seller in accordance with its terms, subject to the Bankruptcy and Equity Exceptions.

3.3 **Consents and Approvals**.

(a) Except as set forth on Schedule 3.3(a), neither the execution and delivery by the Seller of the Transaction Documents to which it is a party, nor the performance by the Seller of the transactions contemplated hereby, will (i) violate or conflict with any provision of law, rule, regulation, stipulation, injunction, charge or other restriction to which the Seller is subject, (ii) violate or conflict with any order, judgment, injunction, award or decree applicable to the Seller, or (iii) violate or conflict with the articles of incorporation, bylaws or other similar governing documents of the Seller.

(b) Except as set forth on Schedule 3.3(b), neither the execution and delivery by the Seller of the Transaction Documents to which it is a party, nor the performance by the Seller of the transactions contemplated hereby, will (i) violate or conflict with any provision of law, rule, regulation, stipulation, injunction, charge or other restriction to which the Company is subject, (ii) violate or conflict with any order, judgment, injunction, award or decree applicable to the Company, (iii) violate or conflict with the articles of incorporation, bylaws or other similar governing documents of the Company, (iv) constitute a default under or give rise to a right of termination, cancellation or acceleration of any right or obligation of the Company (including, without limitation, the obligation of the Company to prepay any outstanding indebtedness) under any provision of any agreement, contract or other instrument binding upon the Company or any license, franchise, permit or similar authorization held by the Company, or (v) result in the creation or imposition of any lien, encumbrance, charge or claim upon any of the assets of the Company, except in the case of any of the foregoing clauses (iv)-(v) for any such violation, conflict, default, right or lien which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or prevent or render impracticable the consummation of the transactions contemplated hereunder.

(c) Except as set forth on Schedule 3.3(c), the execution, delivery and performance by the Seller of this Agreement and the consummation by each of the Seller or of the Company of the transactions contemplated hereby do not require any consent from or filing with any Person or Governmental Authority or official except for (i) filings by the Buyer or the Company (with the cooperation of the Seller and the Company) with any state public utility control or public service commissions or similar state regulatory bodies ("**PUCs**"), each of which is identified on Schedule 3.3(c); and (ii) consents and filings which, if not obtained or made, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or prevent or render impracticable the consummation of the transactions contemplated hereunder.

3.4 **Capitalization and Stock Ownership**.

(a) The total authorized capital stock of the Company consists of (i) 4,000 shares of preferred stock, $100.00 par value per share (the "**Preferred Stock**"), none of which are issued and outstanding as of the date of this Agreement, and (ii) 250,000 shares of Common Stock, $25.00 par value per share, 1,973 shares of which are issued and outstanding as of the date of this Agreement and are owned beneficially and of record by the Seller. Except as specified on Schedule 3.4(a), there are no existing options, warrants, calls, commitments or other rights of any character (including conversion or preemptive rights) relating to the acquisition of any issued or unissued capital stock or other securities of the Company. All of the outstanding shares of Common Stock are duly and validly authorized and issued, fully paid and non-assessable. Upon delivery of and payment for the Shares at the Closing, the Buyer will acquire good and valid title to all of the Shares, free and clear of any liens or encumbrances of any nature whatsoever.

(b) The Company does not have any direct or indirect equity participation in any corporation, partnership, trust, or other business, including the ownership of any securities or other rights exchangeable for or convertible into equity.

(c) There are no voting trusts, proxies, or other agreements or understandings with respect to the voting of, or which impose any restrictions upon the sale or disposition of, any capital stock of the Company.

3.5 **Financial Statements**.

(a) Schedule 3.5(a)(i) sets forth (A) the audited balance sheet of the Company as of December 31, 2010 (the "**Audited Balance Sheet**"), and the related audited statements of income and cash flow for the fiscal year ended on such date, together with the notes to such financial statements (collectively, the "**Annual Financial Statements**"), and (B) the unaudited balance sheet of the Company as of March 31, 2011 (the "**Interim Balance Sheet**"), and the related statements of income for the three (3)-month period ended March 31, 2011 (collectively, the "**Interim Financials**"). The Annual Financial Statements and the Interim Financials have been prepared in accordance with the books and records of the Company. Except as set forth on Schedule 3.5(a)(ii), (A) the Annual Financial Statements fairly present, in all material respects, the financial position of the Company as of December 31, 2010 and the results of operations and cash flow of the Company for the year then ended, and (B) the Interim Financials fairly present, in all material respects, the financial position of the Company as of March 31, 2011 and the results of operations of the Company for the three (3)-month period then ended. The Annual Financial Statements and the Interim Financials have been prepared in accordance with GAAP applied on a consistent basis throughout the periods involved, subject, in the case of the Interim Financials, (i) to normal and recurring year-end adjustments (the effect of which will not be materially adverse) and (ii) to the absence of notes (that, if presented, would not differ materially from those presented in the Annual Financial Statements). All references in this Agreement to the "**Balance Sheet**" shall mean the Audited Balance Sheet and all references to the "**Balance Sheet Date**" shall mean December 31, 2010.

(b) The Company has no material liabilities or obligations of any nature that would be required to be set forth on a balance sheet in accordance with GAAP, except for (i) liabilities or obligations set forth on the face of the Interim Balance Sheet, (ii) liabilities which have arisen after the date of the Interim Balance Sheet in the ordinary course of business which are not, individually or in the aggregate, material in amount, and (iii) liabilities identified on Schedule 3.5(b).

(c) Except as eliminated by GAAP as set forth on Schedule 3.5(c), the Annual Financial Statements and the Interim Financials do not include any deferred costs or capitalized amounts associated with the accounting consolidation or billing and shared services and comparable items undertaken by the Seller or its Affiliates since January 1, 2009.

3.6 **Taxes**.

(a) For purposes of this Agreement: (i) "**Code**" shall mean the Internal Revenue Code of 1986, as amended; (ii) "**Tax**" or "**Taxes**" means any federal, state, county, local or foreign taxes, charges, fees, levies or other assessments, including, without limitation, all net income, gross income, sales and use, ad valorem, transfer, gains, profits, excise, franchise, real and personal property, gross receipts, capital stock, production, business and occupation, disability, employment, payroll, license, estimated, stamp, custom duties, severance or withholding taxes or charges imposed by any federal, state, county, local, or foreign taxing authority ("**Taxing Authority**"), and includes any interest and penalties (civil or criminal) on or additions to any such taxes; (iii) "**Tax Return**" means a report, return or other written information required to be supplied to a Taxing Authority with respect to Taxes including, where permitted or required, combined or consolidated returns for any group of entities that includes the Seller and the Company, on the one hand, or the Buyer and any subsidiaries it may have, on the other hand.

(b) Except as disclosed on Schedule 3.6(b):

(i) Filing of Timely Tax Returns. The Company has duly filed (or there has been filed on its behalf), within the time prescribed by law (including extensions), all Tax Returns required to be filed by it under applicable law. All such Tax Returns were and are, and the Company's state, local and non-U.S. Tax Returns for the year 2010 and for any period ending on or prior to the Closing Date when filed will be, true, complete, and correct.

(ii) Payment of Taxes. The Company, within the time (including extensions) and in the manner prescribed by law, paid all Taxes that are currently due and payable whether or not shown on any Tax Return.

(iii) Tax Reserves. The Company has established on its books and records adequate reserves for all Taxes and for any liability for deferred income Taxes in accordance with GAAP.

(iv) Extensions of Time for Filing Tax Returns. The Company has not requested any extension of time within which to file any Tax Return, which Tax Return has not since been filed.

(v) Waivers of Statute of Limitations. The Company does not have in effect any extension, outstanding waivers, or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns.

(vi) Expiration of Statute of Limitations. All Tax Returns of the Company either have been examined and settled with the appropriate Taxing Authority or closed by virtue of the expiration of the applicable statute of limitations for all years, and no deficiency for any Taxes has been proposed, asserted, or assessed against the Company that has not been resolved and paid in full.

(vii) Audit, Administrative and Court Proceedings. No audits or other administrative proceedings are presently pending or, to the Knowledge of the Seller, threatened in writing with regard to any Taxes or Tax Returns of the Company, no currently pending issue has been raised in writing by any Taxing Authority in connection with any Tax or Tax Returns, and no judicial Tax proceedings are pending, being conducted, or, to the Knowledge of the Seller, threatened.

(viii) Tax Rulings. The Company has not received a Tax Ruling or entered into a Closing Agreement with any Taxing Authority that would have a continuing adverse effect after the Closing Date. "**Tax Ruling**," as used in this Agreement, shall mean a written ruling of a Taxing Authority relating to Taxes. "**Closing Agreement**," as used in this Agreement, shall mean a written and legally binding agreement with a Taxing Authority relating to Taxes.

(ix) Availability of Tax Returns. The Seller has provided or made available to the Buyer complete and accurate copies of (A) all Tax Returns, and any amendments thereto, filed by the Company, (B) all audit reports received from any Taxing Authority relating to any Tax Return filed by the Company, (C) any Closing Agreements entered into by the Company, and (D) any Tax Ruling received by the Company from any Taxing Authority.

(x) Tax Sharing Agreements. The Company is not a party to any agreement relating to allocating or sharing of Taxes.

(xi) Liability for Others. The Company has no liability for any Taxes of any Person other than the Company.

(xii) Code Section 481 Adjustments. The Company is not required to include in income any adjustment pursuant to Code Section 481(a) by reason of a voluntary change in accounting method initiated by the Company for any Tax year, and, to the Knowledge of the Seller, the IRS has not proposed in writing any such adjustment or change in accounting method for any Tax year for which the statute of limitations remains open.

(xiii) Indebtedness. No indebtedness of the Company is "corporate acquisition indebtedness" within the meaning of Code Section 279(b).

(xiv) Intercompany Transactions and Excess Loss Accounts. The Company will not be required to include any item of income in taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of an intercompany transaction within the meaning of U.S. Treasury Regulation Section 1.1502-13 or an excess loss account described in U.S. Treasury Regulations under Code Section 1502 (or any corresponding or similar provision of state, local or foreign Tax law).

(xv) Tax Returns. Each Affiliated Group of which the Company was a member filed all income Tax Returns that it was required to file for each taxable period during which the Company was a member of such Affiliated Group. All such Tax Returns were correct and complete in all respects. All income Taxes owed by any Affiliated Group (whether or not shown on any Tax Return) have been paid for each taxable period during which the Company was a member of such Affiliated Group.

(xvi) Code Section 897. No foreign Person owns or has owned beneficially more than five percent (5%) of the total fair market value of the Common Stock during the applicable period specified in Code Section 897(c)(1)(A)(ii).

(xvii) Code Section 355/361. The Company has not distributed stock of another Person, nor had its stock distributed by another Person, in a transaction that was purported or intended to be governed, in whole or in part, by Code Sections 355 or 361.

(xviii) Excess Compensation. The Company is not a party to any agreement, contract, arrangement or plan that has resulted in or could result, separately or in the aggregate, in the payment of (A) any "excess parachute payment" within the meaning of Code Section 2890G (or any corresponding provision of state, local or non-U.S. Tax law) or (B) any amount that will not be fully deductable as a result of Code Section 162(m) (or any corresponding provision of state, local or non-U.S. Tax law).

(xix) Prepaid Amounts. The Company will not be required to include any items of income in taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any prepaid amount received on or prior to the Closing Date.

(xx) Net Operating Loss. No state or federal "net operating loss" of the Company determined as of the Closing Date is subject to limitation on its use pursuant to Code Section 382 or comparable provisions of state law as a result of any "ownership change" within the meaning of Code Section 382(g) or comparable provisions of any state law occurring prior to the Closing Date.

(xxi) Liens. There are no material liens or other encumbrances with respect to Taxes upon any of the assets of the Company, other than with respect to Taxes not yet due and payable.

(xxii) Sales Tax. The Company has maintained complete and accurate records, including all applicable exemption, resale or other certificates, of (A) all sales to purchasers claiming to be exempt from sales and use Taxes based on the exempt status of the purchaser, and (B) all other sales for which sales Tax or use Tax was not collected by the Company and as to which the Seller is required to receive and retain resale certificates or other certificates relating to the exempt nature of the sale or use or non-applicability of the sales and use Taxes.

(xxiii) Escheat. The Company has no actual liability under the escheat laws or any other laws of any jurisdiction relating to abandoned property.

(xxiv) Installment Sales. The Company will not be required to include any items of income in taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any installment sale or open transaction disposition made on or prior to the Closing Date.

(xxv) Withholding. All Taxes that the Company is or was legally required to withhold or collect have been duly withheld or collected and, to the extent required, have been paid to the proper Taxing Authority or other proper Person.

(xxvi) Normalization Accounting. If the Company uses or has used a normalization method of accounting, the selection and application of such normalization method is, and has been, in full compliance with all applicable provisions of the Code and Treasury Regulations, and to the Knowledge of the Seller such selection and application have not resulted in any violation or alleged violation of such provisions.

(xxvii) Tax Liability. Neither the Seller nor any director or officer (or employee responsible for Tax matters) of the Seller and its subsidiaries expects any Taxing Authority to assess any additional income Taxes against any Affiliated Group for any taxable period during which the Company was a member of such Affiliated Group. There is no dispute or claim concerning any income Tax liability of any Affiliated Group for any taxable period during which the Company was a member of the Affiliated Group either (A) claimed or raised by any Taxing Authority in writing or (B) as to which any Seller and the directors and officers (and employees responsible for Tax matters) of any of the Seller and its subsidiaries has Knowledge based upon personal contact with any agent of such Taxing Authority. Except as disclosed on Schedule 3.6(b), no Affiliated Group has waived any statute of limitations in respect of any income Taxes or agreed to any extension of time with respect to an income Tax assessment or deficiency for any taxable period during which the Company was a member of the Affiliated Group.

3.7 **Title to Assets; Real Property**.

(a) The Company has, or will have at the Closing, good and, in the case of Real Property, marketable title (fee or leasehold) to all of its real and personal properties and assets (including those reflected on the Balance Sheet or acquired by the Company since the Balance Sheet Date), free and clear of all mortgages, liens, attachments, pledges, encumbrances or security interests of any nature whatsoever, except (i) those disclosed in the Balance Sheet, (ii) any liens for current Taxes not yet due and payable or which may thereafter be paid without penalty, (iii) encumbrances described on Schedule 3.7(a) hereto, (iv) zoning, building and other similar governmental restrictions and liens imposed by operation of law (including, without limitation, mechanics', carriers', workmen's, repairmen's, landlord's or other similar liens arising from or incurred in the ordinary course of business and for which the underlying payments are not yet delinquent), (v) easements, covenants, rights-of-way or other similar restrictions and imperfections of title, and (vi) those (including those covered by (iv) and (v) above) that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Schedule 3.7(b) lists (i) the location of each parcel of Real Property; (ii) if such property is leased or subleased by the Company, the landlord under the lease or sublease, the rental amount currently being paid, and the expiration of the term of such lease or sublease for each leased or subleased property; and (iii) the current use of such property. With respect to owned Real Property, the Seller has delivered or made available to the Buyer true, complete and correct copies of the deeds and other instruments (as recorded) by which the Company acquired such Real Property, and copies of all title insurance policies, opinions, abstracts and surveys in the possession of the Seller or the Company and relating to the Real Property. With respect to leased Real Property, the Seller has delivered or made available to the Buyer true, complete and correct copies of any leases affecting the Real Property. Except as set forth on Schedule 3.7(b), the Company is not a sublessor or grantor under any sublease or other instrument granting to any other Person any right to the possession, lease, occupancy or enjoyment of any leased Real Property. The use and operation of the Real Property in the conduct of the Business do not violate in any material respect any law, covenant, condition, restriction, easement, license, permit or agreement.

(c) As of the date of this Agreement, the Company has not received any written or, to the Knowledge of the Seller, oral notice for actual or proposed material assessments for public improvements against its Real Property or material improvements, material easements or material rights of way used in connection with the Business which remains unpaid. Except as set forth on Schedule 3.7(c), as of the date of this Agreement, there is no pending condemnation, expropriation, eminent domain or similar proceeding affecting the Company or all or any portion of the Real Property or material improvements, material easements or material rights of way used in connection with the Business and, to the Knowledge of the Seller, no such proceeding is threatened.

(d) Each parcel of the Real Property has physical and legal vehicular and pedestrian access to and from public roadways as may be reasonably necessary to the operation of the Business as currently conducted, except where the failure to have such access does not have a Material Adverse Effect. No fact or condition exists which would result in the termination of (i) the current access from each parcel of the Real Property, and (ii) continued use, operation, maintenance, repair and replacement of all existing and currently committed water lines and appurtenances used by the Company in connection with the Water System and the Business, except where such termination would not reasonably be expected to have a Material Adverse Effect.

3.8 **Description and Condition of the Water System**.

(a) The Seller has provided to the Buyer a description or map of the water system operated by the Company (the "**Water System**"), which description or map identifies all water mains used in the Water System and is true, complete and correct in all material respects.

(b) The Seller has provided or otherwise made available to the Buyer true and correct copies of all (i) engineering reports relating to the Water System prepared on or after January 1, 2006 and (ii) consumer confidence reports relating to the Water System prepared on or after January 1, 2009.

(c) Except as set forth on Schedule 3.8, all water supply sources, pump stations and storage facilities, mains and service connections used in connection with the Water System are located on Real Property owned by the Company in fee simple, on property leased by the Company, within the public rights-of-way, or within permanent easements of record either in favor of the Company or in the form of a general utility easement, except for any deficiencies of title or right which would not reasonably be expected to materially adversely affect the operation of the Water System.

3.9 **Contracts**. Except as described on Schedule 3.9 or the other Schedules hereto (and except for non-material contracts in the ordinary course of business), the Company is not, as of the date of this Agreement, party to or bound by any of the following written agreements:

(a) employee collective bargaining agreements or other contracts with any labor union;

(b) employment agreements with any director, officer or employee;

(c) (i) lease or similar agreements under which the Company is lessee of, or holds or uses, any machinery, equipment, vehicle or other tangible personal property owned by a third party, (ii) continuing contracts for the future purchase of materials, supplies or equipment, or (iii) management, service, consulting or other similar contracts, which have future liability (not including any contingent liability or liability for refunds) in excess of $10,000 or which is not terminable by the Company on not more than ninety (90) days' notice without penalty or premium;

(d) agreements or contracts under which the Company has borrowed or loaned any money or issued any note, bond, indenture or other evidence of indebtedness or guaranteed indebtedness, liabilities or obligations of others, for an aggregate amount currently outstanding in excess of $50,000 (other than (i) endorsements for the purpose of collection in the ordinary course of business, and (ii) advances to employees of the Company in the ordinary course of business);

(e) mortgages, pledges, security agreements, deeds of trust or other documents, in each case granting a lien (including liens upon properties acquired under conditional sales, capital leases or other title retention or security devices);

(f) contracts containing covenants that materially restrict the operation of the Business or otherwise limit the freedom of the Company to engage in any line of business in any geographic area or to compete with any Person;

(g) joint venture or partnership agreements;

(h) contracts providing for the payment of severance or other compensation in respect of a termination of employment to any employee, director or consultant or which grants compensation or other rights contingent upon or triggered by a change in the share ownership, membership of the board of directors or control of the Company; and

(i) any other contract or agreement involving aggregate consideration in excess of $10,000 and which, in each case, cannot be cancelled by the Company without penalty or without more than ninety (90) days' notice.

Except for such breaches or defaults which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, the Company is not (with or without the lapse of time or the giving of notice, or both) in breach or default under any agreement, contract, lease, license, commitment or instrument of the Company described on Schedule 3.9 or the other Schedules hereto (collectively, the "**Contracts**") and, to the Knowledge of the Seller, no other party to any of the Contracts is (with or without the lapse of time or the giving of notice, or both) in material breach or default thereunder. There are no material disputes pending or, to the Knowledge of the Seller, threatened in writing under or in respect of any of the Contracts.

3.10 **Litigation; Compliance with Laws**. Except with respect to environmental matters, which matters are covered by Section 3.14 of this Agreement:

(a) Except as set forth on Schedule 3.10(a) hereto, there is no action, suit, proceeding, investigation, grievance proceeding or arbitration pending or, to the Knowledge of the Seller, threatened in writing, against or involving the Company or its assets (whether or not covered by insurance) which, individually or in the aggregate, would be reasonably expected to result in a judgment against the Company in excess of $50,000. Except as set forth on Schedule 3.10(a), there is no outstanding judgment, order, writ, injunction, or decree of any Governmental Authority or official relating to or affecting the Company or its assets.

(b) There is no action, suit, investigation or proceeding pending against, or, to the Knowledge of the Seller, threatened in writing against or affecting, the Company or the Seller before any Governmental Authority or official which in any manner challenges or seeks to prevent, enjoin, alter or delay the consummation of the transactions contemplated by this Agreement.

(c) Except as set forth on Schedule 3.10(c), the Company is in compliance with all applicable laws, statutes, rules, regulations, codes, ordinances, orders, judgments and decrees, local, federal, state, domestic or foreign, other than any such failure which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(d) Except as set forth on Schedule 3.10(d) or as would not, individually or in the aggregate, be reasonably expected to result in a judgment or judgments against the Company in excess of $50,000:

(i) the Company is in compliance with any collective bargaining agreements and applicable laws respecting employment and employment practices, terms and conditions of employment, wages and hours, and occupational safety and health, and is not engaged in any unfair labor practice within the meaning of Section 8 of the National Labor Relations Act, and there is no action, suit, administrative, arbitral, grievance or other proceeding pending or, to the Knowledge of the Seller, threatened and reduced to writing, nor to the Knowledge of the Seller is there any investigation pending or threatened and reduced to writing against the Company relating to any of the foregoing; and

(ii) there are no charges, administrative proceedings or formal complaints of discrimination (including, but not limited to, discrimination based upon sex, age, marital status, race, national origin, sexual preference, handicap or veteran status) pending or, to the Knowledge of the Seller, threatened in writing against the Company before the Equal Employment Opportunity Commission or any Governmental Authority; there have been no audits of the equal employment opportunity practices of the Company; and all of the Company's Employees and consultants are either U.S. citizens or resident aliens specifically authorized to engage in employment in the United States in accordance with all applicable laws.

3.11 **Benefit Plans**.

(a) Schedule 3.11(a) contains a true and complete list of each material "**Employee Benefit Plan**," of the Company as defined in Section 3(3) of ERISA (including any "multiemployer plan" as defined in Section 3(37) of ERISA), bonus, incentive, deferred compensation, excess benefit, employment contract, stock purchase, stock ownership, stock option, supplemental unemployment, vacation, sabbatical, sick-day, severance or other material employee benefit plan, program or arrangement (other than those required to be maintained or contributed to by law, and excluding any collective bargaining agreement, side letter, memorandum of understanding or other agreement with a labor organization), whether written or unwritten, qualified or nonqualified, funded or unfunded, foreign or domestic, (i) maintained by, or contributed to by Seller or any entity which together with the Seller would be deemed a "single employer" within the meaning of Section 4001 of ERISA or Code Sections 414(b), (c), (m) or (o) (an "**ERISA Affiliate**") in respect of any Employee or former employee of the Company, or (ii) with respect to which the Seller or any of its ERISA Affiliates has any liability in respect of any Employee or former employee of the Company (collectively, the " **Benefit Plans**"). Except as disclosed on Schedule 3.11(a), neither the Seller nor any of its ERISA Affiliates maintains any (or has any unsatisfied liability with respect to any previously maintained) bonus, pension or welfare benefit plan, program or arrangement, including any deferred compensation arrangement, for current or former directors, consultants or independent contractors of the Company (excluding any collective bargaining agreement, side letter, memorandum of understanding or other agreement with a labor organization).

(b) The Seller has furnished or made available to the Buyer a true and complete copy of each Benefit Plan included on Schedule 3.11(a) together with a copy, if applicable, of (i) the current summary plan description and any summaries of material modification (if applicable and only to the extent not included in a summary plan description) and related trust agreements and insurance contracts; (ii) in the case of an unwritten Benefit Plan, a written description thereof; (iii) the actuarial reports for such Benefit Plans (if applicable) for the last three (3) years; (iv) the most recent Internal Revenue Service ("**IRS**") determination letter issued to any Benefit Plan; (v) the IRS Forms 5500 together with all schedules and accountants' statements filed on behalf of any Benefit Plan for the preceding three (3) plan years; and (vi) a description of any established past practices with respect to any Benefit Plan which would reasonably be expected to materially enhance benefits under such Benefit Plan.

(c) Each Benefit Plan which is intended to be qualified under Code Section 401(a) (as designated on Schedule 3.11(a)) has received a favorable determination letter from the IRS as to such Benefit Plan's qualification under Code Section 401(a) or has remaining a period of time under an applicable remedial amendment period in which to apply for such letter and, to the Knowledge of the Seller, nothing has occurred whether by action or failure to act, which is reasonably likely to cause the loss or denial of such qualification. Neither the Seller nor the Company has received correspondence from the IRS relating to the failure of any such Benefit Plan to be qualified or the failure to be otherwise in compliance with Code Section 401(a).

(d) Except as disclosed on Schedule 3.11(d), each Benefit Plan has been operated and administered in all material respects in compliance with its terms and all applicable laws, including ERISA and the Code except for such noncompliance as would not reasonably be expected to have a Material Adverse Effect.

(e) None of the properties of the Company is subject to a lien under Code Section 430(k).

(f) Except as disclosed on Schedule 3.11(f), neither the Seller nor any ERISA Affiliate and, to the knowledge of the Seller, no other Person, has taken any action or failed to take any action with respect to any Benefit Plan that may subject the Buyer or any Benefit Plan under which liabilities may be assumed by the Buyer under Section 5.9 ("**Assumed Benefit Liabilities**") to any material liability or Tax under the Code or ERISA (other than claims for benefits in the ordinary course).

(g) No Benefit Plan is a "multiemployer plan" within the meaning of Section 3(37) of ERISA. All contributions that the Seller or any ERISA Affiliate have been obliged to make to any Benefit Plan have been duly and timely made except for such failure as would not reasonably be expected to have a Material Adverse Effect.

(h) Except as disclosed on Schedule 3.11(h), there are no pending or, to the Knowledge of the Seller, threatened material claims (other than routine claims for benefits), assessments, complaints, proceedings or investigations of any kind in any Governmental Authority with respect to any Benefit Plan.

(i) No liability under Title IV of ERISA related to the termination of or withdrawal from any plan has been incurred by the Seller or any ERISA Affiliate that has not been satisfied in full, and, to the Knowledge of the Seller, no condition exists that presents a material risk to Seller or any ERISA Affiliate of incurring a material liability under Title IV of ERISA related to the termination of or withdrawal from any plan.

(j) Neither the Seller, the Company nor, to the Knowledge of the Seller, any ERISA Affiliate has engaged in a transaction in connection with which the Seller or any ERISA Affiliate is subject to either a material civil penalty assessed pursuant to Sections 409 or 502(i) of ERISA or a material tax imposed pursuant to Code Sections 4975 or 4976.

(k) No Benefit Plan has experienced a "Reportable Event" (as such term is defined in Section 4043(c) of ERISA) that is not subject to an administrative or statutory waiver from the reporting requirement which would be reasonably likely to result in a Material Adverse Effect.

(l) With respect to each Benefit Plan that is funded wholly or partially through an insurance policy, all premiums required to have been paid to date under the insurance policy have been paid, all premiums required to be paid under the insurance policy through the Closing Date will have been paid on or before the Closing Date, in each case except for such failure as would not be reasonably likely to result in a Material Adverse Effect and, as of the Closing Date, there will be no material liability of the Company under any insurance policy or ancillary agreement with respect to such insurance policy in the nature of a retroactive rate adjustment, loss sharing arrangement or other actual or contingent liability arising wholly or partially out of events occurring prior to the Closing Date.

(m) Except as disclosed on Schedule 3.11(m) or as provided in Section 5.9(e), neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby (either alone or in conjunction with any other event (i.e., a "double trigger") will, pursuant to the terms of any Benefit Plan, (i) restrict or prohibit the Seller or any ERISA Affiliate from amending any Benefit Plan, (ii) result in any material payment (except for severance payments required by the terms of this Agreement) (including, without limitation, severance, unemployment compensation, "Excess Parachute Payments" (within the meaning of Code Section 280G), forgiveness of indebtedness or otherwise) becoming due to any Employee or former employee of the Company under any Benefit Plan, (iii) materially increase any benefits otherwise payable under any Benefit Plan, or (iv) result in any acceleration of the time of payment or vesting of any benefits under any Benefit Plan.

(n) Except as disclosed on Schedule 3.11(n), no Benefit Plan provides welfare benefits, including without limitation, death or medical benefits, beyond termination of service or retirement other than (i) coverage mandated by law, or (ii) death benefits under a Benefit Plan qualified under Code Section 401(a) or a nonqualified pension or retirement plan. The Seller has made available to the Buyer all such Benefit Plans (or written summaries of any such unwritten Benefit Plan) disclosed on Schedule 3.11(n). Except as disclosed on Schedule 3.11(n), any Benefit Plan which provides welfare benefits, including, without limitation, medical benefits, to retirees may be amended or terminated at will and no restriction exists which would prohibit the amendment or termination of any such Benefit Plan.

(o) With respect to plans subject to Title IV of ERISA, the Seller and its ERISA Affiliates have made all required minimum funding contributions, as required by ERISA and the Code, other than failures to contribute that do not present a material risk to the Seller or any ERISA Affiliate of incurring a material liability under ERISA or the Code.

3.12 **Absence of Changes or Events**. Except as set forth on Schedule 3.12, since the Balance Sheet Date, the Business has been conducted in the ordinary course consistent with past practice and there has not been any change in the Business, financial condition or results of operations of the Company which has had, or is reasonably expected to have, a Material Adverse Effect. Without limiting the foregoing and except as set forth on Schedule 3.12, since the Balance Sheet Date through the date of this Agreement, the Company has not taken any of the actions set forth in Section 5.2 of this Agreement.

3.13 **Licenses; Permits**. Except as set forth on Schedule 3.13, all material governmental licenses, permits or authorizations of the Company required for the operation of the Business are validly held by the Company, the Company has complied in all material respects with all requirements in connection therewith, and the same will not be subject to suspension, modification or revocation as a result of this Agreement or the consummation of the transactions contemplated hereby. The Company has all of the governmental licenses, permits or authorizations which are required to carry on the Business as such business is now conducted, except for such licenses, permits or authorizations the failure to obtain which would not reasonably be expected to have a Material Adverse Effect.

3.14 **Environmental Matters**. Except as set forth on Schedule 3.14 hereto:

(a) The Company has all permits, licenses, and other authorizations required for the operations or conduct of the Business under applicable Environmental Laws (the "**Environmental Permits**") and the Company is in compliance with all terms and conditions of the Environmental Permits and with all applicable Environmental Laws, except for such permits or such non-compliance that would not reasonably be expected to have a Material Adverse Effect.

(b) The Company has not disposed of or arranged for the disposal of or Released any Hazardous Substances at any Real Property, or, in connection with the Business, at any other facility, location, or other site, regarding each of the foregoing, in a manner that would be in violation of Environmental Laws in a manner that would reasonably be expected to result in liability under Environmental Laws and would reasonably be expected to have a Material Adverse Effect.

(c) The Company has not received any written notice or request for information with respect to, and neither the Seller nor the Company have been designated a potentially liable party for Remedial Action in connection with, any Real Property, or, as of the date of this Agreement, with respect to the Business, at any other facility, location, or other site under the federal Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**") or other Environmental Laws.

(d) Except for such use or storage of Hazardous Substances as is incidental to the conduct of the Business, which use and storage is or has been in compliance with Environmental Laws, and which use and storage has not, caused any condition that requires Remedial Action, no Real Property has been used by the Seller for the storage, treatment, generation, processing, production or disposal of any Hazardous Substances or as a landfill or other waste disposal site, in any case in violation of any Environmental Law as would reasonably be expected to have a Material Adverse Effect.

(e) No underground storage tanks are, or to the Knowledge of the Seller or the Company have ever been, located on or under any Real Property.

(f) There are no pending, unresolved or, to the Knowledge of the Seller or the Company, threatened claims against the Company for investigatory costs, cleanup, removal, remedial or response costs, or natural resource damages arising out of any Releases or threat of Release of any Hazardous Substances at any Real Property or, as of the date of this Agreement, with respect to the Company or at any other facility, location, or other site.

(g) No polychlorinated biphenyls ("**PCBs**") or friable asbestos-containing materials are located at or in any Real Property in amounts or condition that would reasonably be expected to result in liability under Environmental Laws as would reasonably be expected to have a Material Adverse Effect.

(h) No Hazardous Substance managed or generated by or on behalf of the Company on Real Property owned by the Company or in connection with the Business has come to be located at any site that is listed or formally proposed for listing under the Comprehensive Environmental Response, Compensation and Liability Information System ("**CERCLIS**") list, or any similar state list or that is the subject of federal, state, or local enforcement actions or investigations.

(i) The Seller and the Company have provided Buyer with copies of, or made available to the Buyer, all written environmental audits relating to the compliance of the Business with Environmental Laws and all written investigation or remediation reports relating to the condition of the Real Property of which they have custody or control prepared within the past five (5) years.

(j) Except as set forth on Schedule 3.14:

(i) The Company is and has been for the past three (3) years in full compliance with all federal and state primary drinking water standards, except for such non-compliance that would not reasonably be expected to have a Material Adverse Effect;

(ii) The Company is and has been for the past three (3) years in full compliance with all federal and state secondary drinking water standards, except for such non-compliance that would not reasonably be expected to have a Material Adverse Effect; and

(iii) As to any outstanding material violations of Environmental Laws, including federal or state primary or secondary drinking water standards, the Company has substantially completed or is in the process of completing, in accordance with all applicable deadlines, all actions required by applicable Environmental Laws to correct or otherwise respond to such violations.

(k) Except as set forth on Schedule 3.14, the Company is not and has not been required by applicable Environmental Laws to place any notice or use restriction arising out of the presence of Hazardous Substances in the deed to any Real Property and no Real Property has any such notice or use restrictions in its deed.

For the purposes of this Section 3.14: (A) "**Remedial Action**" means all actions required by any Governmental Authority to (x) clean up, remove, treat or in any other way respond to any presence, Release or threat of Release of Hazardous Substances; (y) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Substances so it does not endanger or threaten to endanger public or employee health or welfare or the environment; or (z) perform studies, investigations or monitoring necessary or required to investigate the foregoing; (B) "**Environmental Laws**" means any federal, state or local law, statutes, rule, regulation, ordinance, code, judgment or order relating to the protection of the environment or, as relating to exposure to Hazardous Substances, human health and safety and includes, but is not limited to, CERCLA (42 U.S.C. § 9601, et seq.), the Clean Water Act (33 U.S.C. § 1251 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Safe Drinking Water Act of 1990 (33 U.S.C. § 2701 et seq.), the Maine Hazardous Waste, Septage and Solid Waste Management Act (Title 38, Chapter 13), Uncontrolled Hazardous Substance Sites (Title 38, Chapter 13-B), the Maine Asbestos Law (38 MRSA §1271 — §1284), Reporting & Disclosure Requirements establishing the requirements for reporting to the Maine Department of Environmental Protection if contamination is present at a property (38 MRSA 343-F), and Maine Underground Oil Storage Facilities and Groundwater Protection (38 MRSA § 561 et seq. — Subchapter 2-B), each as it has been interpreted or amended as of the Closing Date and the regulations promulgated pursuant thereto and in effect as of the Closing Date; and (C) "**Released**" means released, spilled, leaked, discharged, disposed of, pumped, poured, emitted, emptied, injected, leached, dumped or allowed to escape.

3.15 **Employee and Labor Relations**. Except as set forth on Schedule 3.15 hereto:

(a) the Company is not a party to any collective bargaining agreement, side letter, memorandum of understanding or other written agreement with a labor organization;

(b) there is no existing labor strike, work stoppage or slow down by the Employees (including, without limitation, any organizational drive);

(c) there is no existing representation petition respecting the Employees;

(d) the Company has no outstanding commitment or agreement to institute any general wage or salary increase for any class or category of its Employees other than in the ordinary course of business and consistent with past practice; and

(e) the Seller and the Company have no "established past practices" with respect to the Employees the result of which would be to make their employment other than terminable at will.

3.16 **Finders' Fees.** There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of the Seller or the Company who might be entitled to any fee or commission from the Buyer or the Company, upon consummation of the transactions contemplated by this Agreement.

3.17 **Regulation as a Utility**. The Company is regulated as a public utility in Maine. The Company is not subject to regulation as a public utility or public service company (or similar designation) by any other state in the United States, by the United States or any agency or instrumentality of the United States, or by any foreign country.

3.18 **Insurance**. Schedule 3.18 sets forth a true and complete list of all current policies or binders of fire, liability, product liability, umbrella liability, real and personal property, workers' compensation, vehicular, directors and officers' liability, fiduciary liability and other casualty and property insurance maintained by the Seller or its Affiliates (including the Company) and relating to the assets, business, operations, Employees, officers and directors of the Company (collectively, the "**Insurance Policies**") and true and complete copies of all such Insurance Policies have been made available to the Buyer. Except as set forth on Schedule 3.18, such Insurance Policies are in full force and effect and shall remain in full force and effect through the Closing Date. Except as set forth on Schedule 3.18, the Seller has provided notice of each of the open matters set forth on Schedule 3.10(a) to the insurance carriers for the applicable insurance policies maintained by the Seller for the benefit of the Company, and the Seller has not received a written denial of coverage notice from the insurance carriers for such policies with respect to such matters.

3.19 **Intellectual Property**. The Company owns or has adequate rights to use all material trademarks, trade names, patents, service marks, brand marks, brand names, computer programs, databases, industrial designs and copyrights used in the operation of the Business (collectively, the "**Company Intellectual Property**"). All of the Company Intellectual Property owned by the Company is free and clear of any and all encumbrances, other than those contained in the license agreements for any such Company Intellectual Property. To the Knowledge of the Seller, the use of the Company Intellectual Property by the Company does not infringe upon, violate or constitute a misappropriation of any right, title or interest in any intellectual property right (including, without limitation, any trademark, trade name, patent, service mark, brand mark, brand name, computer program, database, industrial design or copyright) of any other Person, and the Company has not received written notice of any claim that any of the Company Intellectual Property is invalid or infringes the asserted rights of any other Person, and, to the Knowledge of the Seller, the Company Intellectual Property owned by the Company has not been used or enforced or has failed to be used or enforced in a manner that would reasonably be expected to result in the abandonment, cancellation or unenforceability of any of such Company Intellectual Property, except for such conflicts, infringements, violations, interferences, claims, invalidity, abandonments, cancellations or unenforceability that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.20 **Property; Franchises**. The Company owns or has sufficient rights and consents to use under existing franchises, easements, leases, and license agreements all properties, rights and assets necessary for the conduct of the Business as currently conducted, except where the failure to own or have sufficient rights and consents to use such properties, rights and assets would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company is duly authorized and franchised by the State of Maine to carry on its utility operations as presently being conducted and such franchise is unlimited as to time and is not subject to any restrictions which would have a Material Adverse Effect. Except as set forth on Schedule 3.20, since December 31, 2007, no state regulatory body has denied the request of the Company to include in rate base for recovery any asset then in utility service in the amount of $100,000 or more.

3.21 **Condition of Assets**. Except as set forth on Schedule 3.21, the buildings, machinery, equipment, tools, furniture, improvements and other fixed tangible assets of the Business, including the assets comprising the Water System, taken as a whole, are in serviceable operating condition and repair in all material respects, reasonable wear and tear excepted and the assets comprising the Water System, taken as a whole, are fit for their intended purpose and conform to all restrictive covenants, applicable laws, regulations and ordinances relating to their construction, use and operation, except where the failure to comply with the foregoing would not reasonably be expected to have a Material Adverse Effect.

3.22 **All Assets**. Except as set forth on Schedule 3.22, the Company owns or has rights to, and will provide to the Buyer at the Closing, all assets, rights, facilities, properties, contracts, books, records and other data necessary for the continued conduct of the Business by the Buyer substantially in the manner as it was conducted prior to the Closing Date. The tangible assets reflected on the Interim Balance Sheet are all of the material assets used in the past year in the conduct of the Business, except for additions and dispositions thereto in the ordinary course of business.

3.23 **Product Liability**. Except as disclosed on Schedule 3.23 and except for those liabilities which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect, there is no pending or, to the Knowledge of the Seller or the Company, threatened in writing, action, suit, proceeding, investigation or arbitration (a) with respect to any product liability or similar claim that relates to any product or service sold by the Company to others or (b) with respect to any claim for the breach of any express or implied product warranty or a similar claim with respect to any product or service sold by the Company to others.

3.24 **Transactions with Affiliates**. Except as set forth on Schedule 3.24, (a) no shareholder, officer, director, manager, member or Affiliate of the Seller or the Company has any interest in (i) any Contract with the Company, (ii) any loan or Contract for or relating to any indebtedness with the Company (as a lender, guarantor or otherwise), or (iii) any property (real, personal or mixed), tangible or intangible, used by the Company, and (b) no shareholder, officer, director, manager, member or Affiliate of the Seller or the Company is the direct or indirect owner, of record or as a beneficial owner, of an equity interest or any other financial or profit interest in any Person that is a present competitor, supplier, or lessor of the Company (other than non-affiliated holdings in publicly held companies).

3.25 **Books and Records**. Since January 1, 2006, the books and records of the Company and the accounts of the Company reflect in all material respects the transactions, assets and liabilities of the Company. Since January 1, 2006, the Company has not engaged in any material transaction, maintained any bank account, or used any of its funds in the conduct of the Business except for transactions, bank accounts and funds that have been and are reflected in the books and records of the Company.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer hereby represents and warrants to the Seller as follows:

4.1 **Corporate Status**. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Connecticut.

4.2 **Authorization and Enforceability**. The Buyer has the requisite power and authority to execute and deliver this Agreement and the Transaction Documents to which it is a party and to perform the transactions contemplated hereby and thereby. Such execution, delivery and performance by the Buyer has been duly authorized by all necessary corporate action. Each Transaction Document to which the Buyer is a party has been duly executed and delivered by the Buyer and, assuming the due authorization, execution and delivery by each of the other parties thereto, constitutes a valid and legally binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms except as the same may be limited by the Bankruptcy and Equity Exceptions. As of the Closing Date, each of the other Transaction Documents to which the Buyer is a party will be duly executed and delivered by the Buyer and, assuming the due authorization, execution and delivery by each of the other parties thereto, will constitute the valid and legally binding obligation of the Buyer enforceable against the Buyer in accordance with its terms, subject to the Bankruptcy and Equity Exceptions.

4.3 **Consents and Approvals**.

(a) Except for the consents specified on Schedule 4.3, neither the execution and delivery by the Buyer of the Transaction Documents to which it is a party, nor the performance by the Buyer or the Company of the transactions contemplated hereby, will (i) violate or conflict with any provision of law, rule, regulation, stipulation, injunction, charge or other restriction to which the Buyer is subject, (ii) violate or conflict with any order, judgment, injunction, award or decree applicable to the Buyer, or (iii) violate or conflict with the certificate of incorporation, bylaws or other similar governing documents of the Buyer.

(b) The execution, delivery and performance by the Buyer of this Agreement and the consummation by the Buyer of the transactions contemplated hereby do not require any consent from or filing with any Person or Governmental Authority or official except for (i) any consent or filing that the Seller is required to obtain or make; (ii) filings by the Buyer (with the cooperation of the Seller and the Company) with any PUCs, each of which is identified on Schedule 4.3; and (iii) consents and filings which, if not obtained or made, will not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Buyer or prevent or render impracticable the consummation of the transactions contemplated hereunder.

4.4 **Investment Intent**. The Shares are being acquired by the Buyer solely for its own account, for investment and not with a view to any distribution thereof that would violate the Securities Act of 1933, as amended (the "**Securities Act**"), or the applicable state securities laws of any state; and the Buyer will not distribute the Shares in violation of the Securities Act, or the applicable state securities laws of any state.

4.5 **Finders' Fees**. There is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of the Buyer who might be entitled to any fee or commission from the Seller or the Company, upon consummation of the transactions contemplated by this Agreement.

4.6 **Litigation**. There is no action, suit, proceeding, investigation, grievance proceeding or arbitration pending or, to the knowledge of the Buyer, threatened in writing against or affecting the Buyer before any Governmental Authority or official which (a) in any manner challenges or seeks to prevent, enjoin, alter or delay the consummation of the transactions contemplated by this Agreement, or (b) would reasonably be expected to have a material adverse effect on the ability of the Buyer to perform its obligations under this Agreement.

4.7 **Solvency**. The Buyer is, and after giving effect to the transactions contemplated hereby will continue to be, Solvent. For purposes of this Agreement, "**Solvent**" means, with respect to the Buyer, that (a) the sum of the assets, at a fair valuation, of the Buyer and its subsidiaries (on a consolidated basis) and of each of them (on a stand-alone basis) will exceed their respective liabilities, (b) each of the Buyer and its subsidiaries (on a consolidated basis) and each of them (on a stand-alone basis) has not incurred and does not intend to incur, and does not believe that it will incur, debts or other liabilities beyond its ability to pay such debts and other liabilities as such debts and other liabilities mature or become due, and (c) each of the Buyer and its subsidiaries (on a consolidated basis) and each them (on a stand-alone basis) has sufficient capital with which to conduct its business.

ARTICLE V
COVENANTS

5.1 **Conduct of Business**. From and after the date of this Agreement and pending the Closing Date, except with the consent of the Buyer (which shall not be unreasonably withheld) or as set forth on Schedule 5.1 or as otherwise specifically permitted by this Agreement, the Seller will take such action as may be necessary to ensure that the Company will not (a) engage in any practice, take any action or enter into any material transaction outside the ordinary course of business, and (b) fail to use its commercially reasonable efforts to maintain all current business relationships of its Business consistent with past practice.

5.2 **Corporate Actions**. From and after the date of this Agreement and pending the Closing Date, except (i) as otherwise specifically permitted by this Agreement or (ii) with the prior written consent of the Buyer (which shall not be unreasonably withheld), the Seller will take such action as may be necessary to ensure that the Company will not take or permit any of the following actions:

(a) amend its articles of incorporation or bylaws;

(b) issue, sell or otherwise dispose of any of its capital stock or other securities, accept any capital contribution or create or suffer to be created any encumbrance thereon, or create, sell or otherwise dispose of any options, rights, conversion rights or other agreements or commitments of any kind relating to the issuance, sale or disposition of any of its capital stock or other equity securities;

(c) reclassify, split up or otherwise change any of its capital stock or other equity securities;

(d) declare or pay any dividend on, or make any other distribution with respect to any share or shares of its capital stock or other equity securities other than in the ordinary course of business and consistent with past practice, or fail to pay or make any such dividends or distributions, consistent with past practice;

(e) other than in the ordinary course of business and consistent with past practice, transfer, lease, license, guarantee, sell, mortgage, pledge, dispose of or encumber any material property or assets;

(f) by any means, make any acquisition of, or investment in, assets (other than in the ordinary course of business and consistent with past practice) or capital stock (whether by way of merger, consolidation, tender offer, share exchange or other activity) in any transaction or any series of transactions (whether or not related);

(g) other than in the ordinary course of business and consistent with past practice, (i) modify, amend, or terminate any material Contract, (ii) waive, release, relinquish or assign any material Contract (or any of the material rights of the Company thereunder), right or claim, (iii) cancel or forgive any indebtedness owed to the Company in an amount aggregating in excess of $10,000, or (iv) fail to use commercially reasonable efforts, consistent with past practice, to collect any indebtedness or accounts receivable owed to the Company;

(h) (i) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, recapitalization or other similar reorganization of the Company, or (ii) accelerate or delay collection of notes or accounts receivable in advance of or beyond their regular due dates, other than in the ordinary course of business and consistent with past practice;

(i) other than in the ordinary course of business and consistent with past practice or as agreed to by the Buyer and after providing notice to the Buyer of such action, (i) hire any additional employees, either full- or part-time (subject to the transfers referred to in the list of Employees provided by the Seller to the Buyer pursuant to Section 5.9(a)); (ii) enter into or amend any employment, severance or special pay arrangement with respect to the termination of employment or other similar contract, agreement or arrangement with any director or officer or other employee; (iii) terminate, establish, adopt, enter into, make any new grants or awards under, amend or otherwise modify any Benefit Plans; (iv) voluntarily accelerate the vesting of, or the lapsing of restrictions with respect to, any stock options or other stock-based compensation; or (v) increase the salary, wage, bonus or other compensation of any Employees except, in each case, for (A) grants or awards, including incentive bonuses, or increases occurring in the ordinary and usual course of business (which shall include normal periodic performance reviews and related compensation and benefit increases consistent with past practice with respect to Employees), (B) annual reestablishment of Benefit Plans, or (C) actions necessary to satisfy existing contractual obligations under Benefit Plans or agreements existing as of the date of this Agreement or applicable law;

(j) fail to maintain insurance in such amounts and against such risks and losses as are consistent with the insurance maintained by the Company or for the benefit of the Company in the ordinary course of business and consistent with past practice;

(k) except in the ordinary course of business and consistent with past practice or as may be required by applicable law or changes in GAAP, change any accounting principle, practice or method in a manner that is inconsistent with past practice or inconsistent with GAAP;

(l) except as may be required by law (including, without limitation, pursuant to existing consent orders listed on Schedule 3.14), make capital expenditures other than in the ordinary course of business and consistent with past practice (i) not in accordance with Schedule 5.2(l) or (ii) in any calendar year in excess of 105% of the aggregate amount budgeted by the Company in such year as set forth on Schedule 5.2(l), and in any event the Seller shall provide to the Buyer a notice on or prior to the thirtieth (30th) day following the end of each calendar quarter commencing after the date of this Agreement setting forth the Company's capital spending for the prior calendar quarter;

(m) incur or guarantee any indebtedness for borrowed money or enter into any "keep well" or other agreement to maintain any financial statement condition of another Person other than (i) short-term indebtedness and "keep well" or similar assurances for the benefit of customers, in each case in the ordinary course of business consistent with past practice; or (ii) in connection with the refunding of existing indebtedness at a lower cost of funds;

(n) pay, discharge or satisfy any material claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than the payment, discharge or satisfaction, in the ordinary course of business consistent with past practice (which includes the payment of final and unappealable judgments) or in accordance with their terms, of liabilities reflected or reserved against in, or contemplated by, the Annual Financial Statements (or the notes thereto), or incurred in the ordinary course of business consistent with past practice;

(o) (i) make or rescind any express or deemed material election relating to Taxes, (ii) except as set forth on Schedule 5.2(o), settle or compromise any material claim, audit, dispute, controversy, examination, investigation or other proceeding relating to Taxes that affects the Company after the Closing, (iii) materially change any of its methods of reporting income or deductions for federal income Tax purposes from those employed in the preparation of its federal income Tax Return and state Tax Returns for the taxable year ending December 31, 2010, except as may be required by a change in applicable law after the date of this Agreement, (iv) file any material Tax Return other than in a manner consistent with its federal income Tax Return and state Tax Returns for the taxable year ending December 31, 2010, (v) change its fiscal year, (vi) make or rescind any material Tax election, or (vii) take any action relating to the filing of any Tax Return or the payment of any Tax that would have the effect of increasing the Tax liability of the Company for any period after the Closing Date or decreasing any Tax attribute of the Company existing on the Closing Date;

(p) subject to applicable law and except for nonmaterial filings in the ordinary course of business consistent with regulatory orders or past practice or changes consistent with existing regulatory orders, (i) fail to consult with the Buyer prior to implementing any changes in the Company's rates or charges (other than automatic cost pass-through rate adjustment clauses), standards of service or accounting, or (ii) fail to deliver to the Buyer a copy of each such filing at least three (3) days prior to the filing or execution thereof so that the Buyer may comment thereon; or

(q) authorize or enter into an agreement to do anything prohibited by the foregoing.

5.3 **Access**. During the period from the date of this Agreement to the Closing Date, the Seller will cause the Company to permit representatives of the Buyer to have reasonable access at all reasonable times during normal business hours to the personnel, facilities, books and records of the Company as the Buyer and its representatives may reasonably request in connection with the transactions contemplated by this Agreement; provided, however, that such access does not interfere with the normal business operations of the Company and subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege. The Seller or the Company are under no obligation to disclose to the Buyer any information, the disclosure of which is restricted by contract or applicable law, and the grant of such access does not include access to conduct any environmental sampling or testing without the Seller's prior written consent.

5.4 **Consents**. Each of the parties hereto shall use commercially reasonable efforts to (a) obtain, as promptly as practicable, all consents, authorizations, approvals and waivers required in connection with the consummation of the transactions contemplated by this Agreement under any federal, state, local or foreign law or regulation, (b) lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties hereto to consummate the transactions contemplated hereby, and (c) effect all necessary registrations and filings including, but not limited to, submissions of information requested by any Governmental Authority. With respect to any threatened or pending preliminary or permanent injunction or other order, decree, ruling, statute, rule, regulation or executive order that would adversely affect the ability of the parties hereto to consummate the transactions contemplated hereby, the parties hereto further covenant and agree, to respectively use their commercially reasonable efforts to prevent the entry, enactment or promulgation thereof, as the case may be.

5.5 **Filing; Other Actions**. Each of the Seller and the Buyer agree to file, or cause to be filed, all necessary documentation with the appropriate Governmental Authorities as soon as practicable to obtain all consents required by any Governmental Authorities to consummate the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, the Buyer, with the prior written consent of the Seller, agrees to file, as soon as reasonably practicable after the date of this Agreement, all filings with PUCs identified on Schedule 3.3(c), and the Seller agrees to cooperate in making such filings. The Seller and the Buyer further agree to use their commercially reasonable efforts to comply promptly with and, when appropriate, to respond in cooperation with each other to, all requests or requirements which applicable federal, state, local, foreign or other applicable law or Governmental Authorities may impose on them with respect to the transactions which are the subject of this Agreement; provided, that nothing in this Section 5.5 shall require the Buyer, the Seller or their respective Affiliates to sell, hold, separate or otherwise dispose of or take any action or suffer an event to exist if such sale, holding, separation, disposition, action or event would reasonably be expected to have a material financial impact on the Buyer, the Seller, or their respective Affiliates that is not reasonably acceptable to the Buyer or the Seller, as the case may be.

5.6 **Further Assurances**. Upon the terms and subject to the conditions herein provided, each of the parties hereto agrees to use commercially reasonable efforts to take or cause to be taken all action, to do or cause to be done, and to assist and cooperate with the other party hereto in doing, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective, the transactions contemplated by this Agreement, including, but not limited to, (a) the satisfaction of the conditions precedent to the obligations of any of the parties hereto, and (b) the execution and delivery of such instruments, and the taking of such other actions as the other party hereto may reasonably require in order to carry out the intent of this Agreement.

5.7 **Payment of Expenses; Transfer Taxes**. Except as otherwise provided herein, each of the parties hereto shall pay its own costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby. All transfer, documentary, sale, use, registration, value-added and other similar Taxes and related amounts (including any penalties, interest and additions) incurred in connection with this Agreement and the transactions contemplated hereby (and not any Taxes based upon income, profits, payroll or other similar Taxes) shall be paid equally by the Buyer and the Seller.

5.8 **Publicity**. Each of the parties hereto agrees that no public release or announcement concerning the transactions contemplated hereby shall be issued by any of them without the prior consent (which consent shall not be unreasonably withheld) of the Seller (in the case of the Buyer) or the Buyer (in the case of the Seller), except as such release or announcement may be required by law or the rules or regulations of any United States or foreign securities exchange.

5.9 **Employee Matters**.

(a) Employees. The Buyer agrees to continue the employment immediately following the Closing Date of each person who is employed by the Company on the Closing Date (collectively, the "**Employees**"). The Seller has provided the Buyer with a list (which shall be updated by the Seller on the Closing Date) setting forth the name of each Employee, and his or her current rate of pay, position and date of hire, and in the case of those Employees on disability leave, military service or leave of absence, the period of, or cause for, such leave. Notwithstanding the foregoing, nothing in this Agreement shall cause any Employee to be other than an employee at will and nothing expressed or implied in this Agreement will obligate the Buyer to provide continued employment to any individual Employee for any specified period of time following the Closing Date. After the Closing, the Buyer will be the sole judge of the number, identity and qualifications of employees necessary for the conduct of its business operations and reserves the right to take any personnel action it deems necessary or appropriate with respect to the Employees. Except as otherwise provided in this Section 5.9, and as may be required under any Benefit Plan or applicable law, the Buyer shall be under no obligation to provide or continue any Benefit Plan or any other plan or arrangement after the Closing Date and may amend or terminate any such plan or arrangement in whole or in part and may modify any provision thereof, subject to any applicable limitations under the terms of such Benefit Plans or under applicable law.

(b) COBRA Benefits. On and after the Closing Date, the Buyer and the Company shall have responsibility for all COBRA obligations related to the Employees who are employed by the Company on and after the Closing Date and their qualified beneficiaries that arise as a result of a COBRA qualifying event occurring after the Closing Date. The Seller shall have responsibility for all COBRA obligations for all individuals who are "M&A qualified beneficiaries." An M&A qualified beneficiary, as defined in Treasury Regulation Section 54.4980B-9, Q&A-4(b), is a qualified beneficiary for COBRA purposes whose qualifying event occurred prior to or in connection with the transaction contemplated by this Agreement and who is, or whose qualifying event occurred in connection with, a covered employee whose last employment prior to the qualifying event was with the Company.

(c) Buyer Obligation for Employment Terms and Benefits.

(i) Employment Terms and Benefits. The Buyer shall cause the Company to provide, from the Closing Date until at least one (1) year following the Closing Date, to each Employee who is employed by the Company on and after the Closing Date a base salary and bonus opportunity at the same level or greater than such Employee's base salary and bonus opportunity as in effect on the day before the Closing Date. The Employees as of the Closing Date who are employed by the Company shall immediately following the Closing Date be provided with benefits for a period of at least one (1) year that are no less favorable, in the aggregate, than those provided to the Employees by the Seller or the Company immediately prior to the Closing Date. For a period of at least one (1) year following the Closing Date, the Buyer shall cause the Company to provide retiree medical and, if applicable under the terms of the current Retiree Medical and Life Insurance Plan for Consumers Water Employees (the "**Seller Retiree Welfare Plan**"), life insurance benefits for retirees of the Company on the Closing Date and for Employees of the Company who if they were to retire would be eligible for such retiree welfare benefits on the Closing Date at the same cost and at the same level as provided on the day prior to the Closing Date; provided, that nothing in this Agreement or in such retiree welfare benefit plan shall require any such benefits to continue beyond such one (1) year period.

(ii) Prior Service and Other Credits. With respect to any employee benefit plan, program or policy that is made available by the Buyer or the Company to the Employees on and after the Closing Date (the "**Buyer Plans**"): (A) all periods of service with the Company or any ERISA Affiliate, or any predecessor entity of either, by any such Employee prior to the Closing Date shall be credited for eligibility, participation, vesting, and benefit calculation purposes, under the Buyer Plans; (B) with respect to any Buyer Plans which are welfare plans as defined in Section 3(1) of ERISA to which such Employee may become eligible, the Buyer shall cause such Buyer Plans to provide credit for the year in which the Closing occurs for any co-payments, deductibles, maximum out-of-pocket payments by such Employees, and to waive all pre-existing condition exclusions and waiting periods; and (C) with respect to any Buyer Plan to which such Employee may become eligible and which provides flexible spending accounts, the Buyer shall cause such Buyer Plan to provide credit for the year in which the Closing occurs for the Employee's flexible spending account balances under the Seller's Plan and the Seller shall transfer to the Buyer the amounts of such account balances. The Seller shall provide the Buyer with complete and accurate records of such flexible spending account balances as of the Closing Date no later than the tenth (10th) Business Day following the Closing Date. The Buyer shall cause the Company to recognize and assume liability for vacation days and sick leave previously accrued and reserved for by the Company as of the Closing Date.

(iii) Claims Prior to Closing Date. All claims incurred under any welfare plan as defined in Section 3(1) of ERISA maintained by the Seller or the Company prior to the Closing Date shall be paid by the Seller's plan. The Buyer shall be responsible for all liabilities relating to, arising out of or resulting from such claims on or after the Closing Date. For purposes hereof, a claim is deemed incurred when the services that are the subject of the claim are performed; in the case of life insurance, when the death occurs; and in the case of a hospital stay with respect to inpatient facility claims only (and not with respect to (A) professional claims even if related to such inpatient facility claims or (B) any outpatient facility claims), when the person first enters the hospital.

(d) Transfer of Plan Obligations.

(i) Pension Plan.

(A) On the Closing Date or within one hundred twenty (120) days thereafter, the Seller shall cause to be transferred in cash from the Retirement Income Plan for Aqua America, Inc. and Subsidiaries (the "**Seller's Pension Plan**") to an existing defined benefit plan designated by the Buyer or to a defined benefit plan established by the Buyer or which the Buyer causes the Company to establish (the "**Buyer's Pension Plan**"), that portion of assets and liabilities of the Seller's Pension Plan attributable to the accrued benefits of those participants in the Seller's Pension Plan who are active Employees or former employees (including retirees) of the Company, or are beneficiaries or alternate payees of such active or former employees of the Company, other than those for whom an annuity has been purchased (referred to jointly herein as the "**Pension Participating Employees**"). The amount of such assets and liabilities shall be determined as of the Closing Date in accordance with Code Section 414(l) and Section 4044 of ERISA (without regard to any de minimis rules) as certified by the actuaries for the Seller's Pension Plan ("**Seller's Actuary**") as of the Closing Date and agreed to by Hooker & Holcombe, Inc., actuaries for the Buyer ("**Buyer's Actuary**"), which agreement shall not be unreasonably withheld. The amount shall be determined based upon the actuarial assumptions and procedures that would be used by the Pension Benefit Guaranty Corporation in determining whether the applicable plan may terminate in a standard termination. This amount shall be referred to as the "**414(l) Amount**." In the event that the Seller's Actuary and the Buyer's Actuary are unable to agree upon the amount of assets to be transferred as provided above, then a third-party, independent actuary shall be selected by mutual agreement of the Seller and the Buyer and the determination of such amount by such third-party actuary shall be final and binding upon the parties to this Agreement. The fees and expenses of such third-party actuary shall be paid equally by the Buyer and the Seller. The Buyer shall cause the Buyer's Pension Plan to be amended to provide provisions identical to those under the Seller's Pension Plan that apply to the Pension Participating Employees, subject nevertheless to the Buyer's ability to amend or terminate such provisions or the Plan. At least fifteen (15) days prior to the Closing Date, the Seller shall provide, or shall cause the Company to provide, a notice to each Pension Participating Employee who is required to get such notice regarding the cessation of benefit accruals under the Seller's Pension Plan as of the Closing Date in accordance with Code Section 4980F and the regulations thereunder and the transfer of his or her accrued benefit to the Buyer's Pension Plan following the Closing Date. The establishment or amendment of the Buyer's Pension Plan and transfer of assets and liabilities hereunder are subject to all applicable notice requirements and required governmental approvals, if any, including, without limitation, the filing by both the Buyer and the Seller of Form 5310-A at least thirty (30) days prior to the transfer.

(B) For purposes of accomplishing the transfer of assets contemplated by the preceding paragraph, the Seller shall cause the trustee of the trust under the Seller's Pension Plan to segregate in cash within such trust as of the Closing Date an amount equal to the Seller's Actuary's estimate of the 414(l) Amount and to invest such segregated amount in the short term investment fund used for such trust ("**STIF**") pending transfer to the trust under the Buyer's Pension Plan. At the time of transfer of assets to the trust of the Buyer's Pension Plan, the Seller shall cause the transfer of such segregated assets and STIF earnings thereon in cash, but adjusted as necessary such that the total amount transferred shall equal the total of (i) the actual 414(l) Amount determined in accordance with the provisions of the preceding paragraph and (ii) an amount equal to the investment experience of an amount equal to such actual 414(l) Amount invested in the STIF from the Closing Date to the date of transfer, less any benefit payments to Pension Participating Employees and an allocable portion of the usual fees and expenses ordinarily charged to the trust assets in accordance with the terms of the Seller's Pension Plan and the trust therefor. Between the Closing Date and the date on which the asset transfer contemplated by this Section 5.9(d) is effectuated, the Seller shall administer the Seller's Pension Plan with respect to the Pension Participating Employees at the Seller's sole cost and expense, except with respect to the usual fees and expenses referred to in the preceding sentence. Subject to, and upon the effectiveness of, the asset transfer contemplated by this Section 5.9(d), the Buyer's Pension Plan shall assume all liabilities for all accrued benefits, including ancillary benefits and all aspects of plan administration, under the Seller's Pension Plan in respect of all Pension Participating Employees. The Company shall cease being a participating company in the Seller's Pension Plan and employer contributions to the Seller's Pension Plan shall cease on the Closing Date for all Pension Participating Employees. The Buyer will, or will cause the Company to, give all Pension Participating Employees full credit for purposes of eligibility, vesting, and determination of the level of benefits under the Buyer's Pension Plan for such Pension Participating Employees' service with the Company or the Seller to the same extent recognized by the Company under the terms of the Seller's Pension Plan immediately prior to the Closing Date. Nothing herein or elsewhere in this Agreement shall require, or shall be construed to require, the Buyer to cover Employees of the Company in Buyer's Pension Plan who were not eligible to participate in Seller's Pension Plan.

(C) To effectuate such transfer, the Buyer shall deliver to the Seller as soon as practicable, but in no event later than ninety (90) days after the Closing Date, (i) a copy of the Buyer's Pension Plan and any amendment necessary to effectuate the receipt of the transfer of the assets and assumption of benefit liabilities attributable to the accrued benefits of Pension Participating Employees; (ii) a copy of the trust agreement for the Buyer's Pension Plan; and (iii) the most recent favorable determination letter from the IRS with respect to the Buyer's Pension Plan. The responsibility of administration of the Buyer's Pension Plan shall be the responsibility of the Buyer as of the date of transfer.

(D) In the event that the 414(l) Amount, as determined in accordance with the provisions of this Section 5.9(d), is greater than the fair value of the assets allocable to the Pension Participating Employees as of the Closing Date for purposes of Financial Accounting Standards Board Accounting Standards Codification 715, as determined in accordance with the Seller's historical allocation methodology consistently applied (the "**ASC 715 Amount**"), the Purchase Price shall be increased by an amount (hereinafter, the "**Pension Required Funding Differential**") equal to such excess. The determination of the ASC 715 Amount shall be subject to the agreement of the Buyer's Actuary in a manner similar to the determination of the 414(l) Amount in Section 5.9(d)(i)(A). Such agreement shall not be unreasonably withheld, and in the event the Seller's Actuary and the Buyer's Actuary are unable to agree, a third-party, independent actuary shall be selected by mutual agreement of the Seller and the Buyer. The determination of the ASC 715 Amount by such third-party actuary shall be final and binding upon the parties to this Agreement. The fees and expenses of such third-party actuary shall be paid equally by the Buyer and the Seller.

(ii) Disability. The Seller shall retain liability for long-term disability benefits payable to Employees who as of the Closing Date are receiving long-term disability benefits or who as of the Closing Date are eligible to receive, or following the expiration of any applicable elimination period, will be eligible to receive long-term disability benefits. The Seller shall be liable for payment of all sick leave, short-term disability and workers' compensation claims payable to an Employee through the Closing Date, and the Buyer shall be responsible thereafter. The Buyer agrees to honor the reemployment rights of Employees absent from employment on the Closing Date due to sick leave, short- or long-term disability or workers' compensation. The Seller agrees to provide the Buyer on or before the Closing Date with a schedule listing such Employees absent from employment on the Closing Date due to sick leave, short- or long-term disability or workers' compensation.

(iii) Retiree Welfare Plan. The Seller shall be liable for payment of all claims under the Seller Retiree Welfare Plan for expenses incurred under the Seller Retiree Welfare Plan prior to the Closing Date (whether or not such claims are submitted prior to the Closing Date) by retirees of the Company and their covered dependents. The Buyer shall, or shall cause the Company to, provide retiree medical benefits for expenses incurred after the Closing Date and, if applicable under the Seller Retiree Welfare Plan, life insurance benefits, either under an existing plan designated by the Buyer or under a new plan to be established by the Company. On the Closing Date or within one hundred twenty (120) days thereafter, the Seller shall cause to be transferred in cash from the trust maintained pursuant to Code Section 501(c)(9) (the "**Seller's VEBA**") with respect to the Seller Retiree Welfare Plan to a VEBA established for this purpose or to a subaccount of an existing VEBA as designated by the Buyer (the "**Allocable VEBA Assets**"). The Allocable VEBA Assets shall equal the Accumulated Post-Retirement Benefit Obligation (the "**APBO**") for the retirees and Employees of the Company as a percentage of the APBO for the entire Seller Retiree Welfare Plan multiplied by the total fair market value of the Seller's VEBA as of the last day of the month prior to the Closing Date, adjusted for interest at LIBOR and reduced by benefit payments and increased by contributions through the Closing Date. The APBO for purposes of the calculation shall be the APBO calculated as of the most recent fiscal year end. The total aggregate fair market value of the Seller's VEBA shall be further adjusted to include any assets transferred from the Seller's VEBA, or exclude any assets transferred to the Seller's VEBA, between fiscal year end and the Closing Date for purposes of any corporate acquisition or disposition transaction separate from this Agreement. The Allocable VEBA Assets will be calculated as of the Closing Date by the actuaries for the Seller Retiree Welfare Plan. The Buyer agrees to use the transferred assets only for retiree welfare benefits for Employees and retirees of the Company.

(e) 401(k) Plan.

(i) As soon as reasonably practicable after the Closing Date, but in no event later than ninety (90) days after the Closing Date, the Buyer shall designate an existing defined contribution 401(k) plan and trust of the Buyer qualifying under Code Section 401(a) and Code Section 501(a) or shall have established (or shall have caused the Company to establish) one or more qualified defined contribution 401(k) plans and a related trust or trusts thereunder intended to qualify under Section 401(a) and Code Section 501(a) (the "**Buyer's 401(k) Plan**") to receive the direct rollovers contemplated by clause (ii) below. The Buyer's 401(k) Plan provides, or the Buyer shall cause the Buyer's 401(k) Plan to be amended to provide, (A) for acceptance of all such direct rollovers in cash from the Aqua America, Inc. 401(k) Plan (the "**Seller's 401(k) Plan**"), and also including, provision for acceptance of the direct rollover of notes representing plan loans to participants, (B) for 100% vesting of all such rollover accounts and all income earned on such rollover accounts, and (C) for recognition for all purposes under the Buyer's 401(k) Plan all service that was recognized under the Seller's 401(k) Plan. In no event, however, shall the Buyer assume the sponsorship of the Seller's 401(k) Plan or accept a transfer of assets and liabilities from the Seller's 401(k) Plan to the Buyer's 401(k) Plan. In addition, notwithstanding the foregoing, the Buyer's 401(k) Plan shall not be required to accept rollovers of Roth 401(k) contributions and any earnings thereon from the Seller's 401(k) Plan.

(ii) The Seller's 401(k) Plan provides, or the Seller shall cause the Seller's 401(k) Plan to be amended to provide, (A) for 100% vesting of all accounts of Employees under the Seller's 401(k) Plan and of all income earned on such accounts, (B) that a distribution from the Seller's 401(k) Plan may be made on account of a bona fide severance from employment under Code Section 401(k)(2)(B)(i)(I), and (C) that all Employees participating in the Seller's 401(k) Plan shall have the option to either receive a distribution from or retain their account balance in the Seller's 401(k) Plan, unless the account balance can be cashed out without the consent of the participant pursuant to Code Section 411(a)(11).

(iii) At the Closing, in accordance with the terms of the Seller's 401(k) Plan, the Company shall cease being a participating company in the Seller's 401(k) Plan and both employer and employee contributions to such plans shall cease at the Closing Date for all Employees. Following the Closing Date, all Employees who are eligible to participate under the terms of the Seller's 401(k) Plan on the Closing Date shall be eligible to participate immediately in the Buyer's 401(k) Plan.

(iv) The Seller and the Buyer agree that any direct rollovers made pursuant to this Section 5.9(e) are intended by the parties hereto to qualify as rollover distributions for purposes of federal income taxation.

(v) In establishing contribution levels for Employees under the Buyer's 401(k) Plan, the Buyer may establish different levels for Employees who are Pension Participating Employees and those who are not Pension Participating Employees.

(vi) Following the date of this Agreement, the Seller and the Buyer shall reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 5.9, including exchanging information and data relating to employee benefits, unless such exchange of information and data would violate applicable law.

(f) Other Plans. The Buyer shall not assume liabilities or responsibility for any of the following plans maintained by the Seller: (i) the 2009 Omnibus Equity Compensation Plan, (ii) the Supplemental Pension Benefit Plan for Salaried Employees, and (iii) the 2009 Executive Deferral Plan. The manner in which participants in such Plans who are employed by the Company are treated as a result of this transaction shall be the responsibility of the Seller. Furthermore, the benefits provided under such Plans shall not be included as "benefits" for purposes of the provisions of Section 5.9(c)(i) hereof, which generally requires benefits to be provided for a one (1) year period following the Closing Date that are no less favorable in the aggregate than those provided to Employees by the Seller or the Company immediately prior to the Closing Date.

5.10 **Violations**. Within fifteen (15) days after the receipt of notice of a violation, the Seller shall notify the Buyer of any violations of state or federal drinking water standards which, if such violations existed on the date of this Agreement, would be required to be disclosed pursuant to Section 3.14(j) hereof, and shall promptly notify the Buyer of the actions proposed to be taken by the Seller to correct or otherwise respond to such violations.

5.11 **Transition Plan**. Within thirty (30) days after the date of this Agreement, the parties jointly shall establish a transitional services team. Such team will be responsible for preparing, and timely implementing, a transition plan which will identify and describe substantially all of the various transition activities that the parties will cause to occur before and after the Closing and any other transfer of control matters that any party reasonably believes should be addressed in such transition plan. The Seller shall make arrangements satisfactory to the Buyer for the transfer to the Buyer on or prior to the Closing Date, of originals or copies of all books and records and other data and information relating to the Company, its properties, Business and operations, which is in the possession or control of the Company and such data and information relating to the Company in the possession or control of the Seller and its Affiliates as the Buyer may reasonably request. The Buyer and the Seller shall use their commercially reasonable efforts to cause their representatives on such transition team to cooperate in good faith and take all reasonable steps necessary to develop a mutually acceptable transition plan no later than thirty (30) days prior to the Closing Date. If requested by the Buyer, on or prior to the Closing Date, the parties hereto agree to use their commercially reasonable efforts to negotiate and execute on or prior to the Closing Date an agreement with respect to those transition services specified by the Buyer (the "**Transition Services Agreement**"). The term of each transitional service shall be as agreed between the parties in such Transition Services Agreement but in no event shall extend beyond twelve (12) months following the Closing Date.

5.12 **Tax Matters**.

(a) Prohibited Changes. The Seller and the Buyer agree that, with respect to the period between the date of this Agreement and the Closing Date, without the prior written consent of the Buyer, the Company shall not make or change any election, change an annual accounting period, adopt or change any accounting method, file any amended Tax Return, enter into any Closing Agreement, settle any Tax claim or assessment relating to the Company, surrender any right to claim a refund of Taxes, consent to any extension or waiver of the limitation period applicable to any Tax claim or assessment relating to the Company, or take any other similar action relating to the filing of any Tax Return or the payment of any Tax, if such election, adoption, change, amendment, agreement, settlement, surrender, consent or other action would have the effect of increasing the Tax liability of the Company for any period ending after the Closing Date or decreasing any Tax attribute of the Company existing on the Closing Date.

(b) Tax Matters. The following provisions shall govern the allocation of responsibility as between the Buyer and the Seller for certain Tax matters following the Closing Date:

(i) The Seller shall indemnify the Company and the Buyer and hold them harmless from and against, any loss, claim, liability, expense, or other damage attributable to (A) all Taxes (or the non-payment thereof) of the Company for all taxable periods ending on or before the Closing Date and the portion through the end of the Closing Date for any taxable period that includes (but does not end on) the Closing Date ("**Pre-Closing Tax Period**"), (B) all Taxes of any member of an affiliated, consolidated, combined or unitary group of which the Company (or any predecessor of any of the foregoing) is or was a member on or prior to the Closing Date, including pursuant to U.S. Treasury Regulation Section 1.1502-6 or any analogous or similar state, local, or non-U.S. law or regulation, and (C) any and all Taxes of any Person (other than the Company) imposed on the Company as a transferee or successor, by contract or pursuant to any law, rule, or regulation, which Taxes relate to an event or transaction occurring before the Closing; provided, however, that in the case of clauses (A), (B), and (C) above, the Seller shall be liable only to the extent that such Taxes exceed the amount, if any, of such Taxes that are included as a liability in the calculation of the Closing Working Capital. The Seller shall reimburse the Buyer for any Taxes of the Company that are the responsibility of the Seller pursuant to this Section 5.12(b) within fifteen (15) Business Days after payment of such Taxes by the Buyer or the Company.

(ii) In the case of any taxable period that includes (but does not end on) the Closing Date (a "**Straddle Period**"), the amount of any Taxes based on or measured by income or receipts of the Company for the Pre-Closing Tax Period shall be determined based on an interim closing of the books as of the close of business on the Closing Date (and for such purpose, the taxable period of any partnership or other pass-through entity in which the Company holds a beneficial interest shall be deemed to terminate at such time) and the amount of other Taxes of the Company for a Straddle Period that relates to the Pre-Closing Tax Period shall be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in such Straddle Period.

(iii) The Seller shall include the income of the Company (including any deferred items triggered into income by U.S. Treasury Regulation Section 1.1502-13 and any excess loss account taken into income under U.S. Treasury Regulation Section 1.1502-19) on the Seller's consolidated federal income Tax Returns for all periods through the Closing Date and pay any federal income Taxes attributable to such income. For all taxable periods ending on or before the Closing Date, the Seller shall cause the Company to join in the Seller's consolidated federal income Tax Return and, in jurisdictions requiring separate reporting from the Seller, to file separate state and local income Tax Returns for the Company. All such Tax Returns shall be prepared and filed in a manner consistent with prior practice, except as required by a change in applicable law. The Seller shall permit the Buyer to review each Tax Return prepared by the Seller which covers any Pre-Closing Tax Period and shall make such revisions to such Tax Returns as are reasonably requested by the Buyer, to the extent such revisions relate to the Company. The Buyer shall cause the Company to furnish information to the Seller as reasonably requested by the Seller to allow the Seller to satisfy its obligations under this Section 5.12(b) in accordance with past custom and practice. The Company and the Buyer shall consult and cooperate with the Seller as to any elections to be made on Tax Returns of the Company for periods ending on or before the Closing Date. The Buyer shall cause the Company to file income Tax Returns or shall include the Company in its combined or consolidated income Tax Returns, for all periods other than periods ending on or before the Closing Date. The Buyer shall permit the Seller to review each Tax Return prepared by the Buyer which covers a Straddle Period and shall make such revisions to such Tax Returns as are reasonably requested by the Seller, to the extent such revisions relate to any Pre-Closing Tax Period.

(iv) The Buyer, the Company, and the Seller shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this Section 5.12(b) and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information that are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Company and the Seller agree (A) to retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by the Buyer or the Seller, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any Taxing Authority, and (B) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, the Company or the Seller, as the case may be, shall allow the other party to take possession of such books and records. The Buyer and the Seller further agree, upon request, to use their commercially reasonable efforts to obtain any certificate or other document from any Taxing Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby). The Buyer and the Seller further agree, upon request, to provide the other party with all information that either party may be required to report pursuant to Code Section 6043, or Code Section 6043A, or U.S. Treasury Regulations promulgated thereunder.

(v) All tax-sharing agreements or similar agreements with respect to or involving the Company shall be terminated as of the Closing Date with respect solely to the Company and, after the Closing Date, the Company shall not be bound thereby or have any liability thereunder.

(vi) All transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with consummation of the transactions contemplated by this Agreement (and not any Taxes based upon income, profits, payroll or other similar Taxes) shall be paid equally by the Buyer and the Seller when due, and the Seller will, at the joint expense of the Buyer and the Seller, file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges, and, if required by applicable law, the Buyer will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation.

(vii) The Seller shall allow the Buyer and its counsel to participate in any audit of the Seller's consolidated federal income Tax Returns to the extent that such Tax Returns relate to the Company. The Seller shall not settle any such audit in a manner which would adversely affect the Company after the Closing Date unless such settlement would be reasonable in the case of a Person that owned the Company both before and after the Closing Date. The Buyer or the Company, as the case may be, shall allow the Seller and its counsel to participate in any audit of the Buyer's consolidated federal income Tax Returns to the extent that such Tax Returns relate to the Company for any Pre-Closing Period, including any Straddle Period. The Buyer or the Company, as the case may be, shall not settle any such audit in a manner which would adversely affect the Tax liability of the Seller or the Company for any Pre-Closing Period, including any Straddle Period, without the prior written consent of the Seller.

(viii) The Seller shall immediately pay to the Buyer any Tax refund (or reduction in Tax liability) resulting from a carryback of a post-acquisition Tax attribute of the Company into the Seller's consolidated Tax Return, when such refund (or reduction) is realized by the Seller's group. At the Buyer's request, the Seller will cooperate with the Company in obtaining such refund (or reduction), including through the filing of amended Tax Returns or refund claims.

(ix) The Seller shall not elect to retain any net operating loss carryovers or capital loss carryovers of the Company.

(x) The Seller shall file a timely election under U.S. Treasury Regulation Section 1.1502-95(f) to apportion all of the Seller's Affiliated Group's annual consolidated Code Section 382 limitation from each previous ownership change while the Company was a member of the Seller's Affiliated Group to the Company. In furtherance of the foregoing, at the Seller's request, the Buyer shall cause the Company to join with the Seller in making any election required under U.S. Treasury Regulation Section 1.1502-95(f).

(xi) At the Seller's request, the Buyer shall cause the Company to make or join with the Seller in making any other election if the making of such election does not have an adverse impact on the Buyer (or the Company) for any post-acquisition Tax period.

(xii) Upon mutual agreement of the Seller and the Buyer, the Seller and the Buyer shall join in making an election under Code Section 338(h)(10) (and any corresponding elections under state, local, or non-U.S. Tax law) with respect to the purchase and sale of the Shares hereunder.

(xiii) Any indemnification payments pursuant to this Section 5.12(b) shall be treated as an adjustment to the Purchase Price by the parties for Tax purposes, unless otherwise required by law.

(xiv) To the extent that any obligation or responsibility pursuant to Article VIII may overlap with an obligation or responsibility pursuant to this Section 5.12(b), the provisions of this Section 5.12(b) shall govern. The Buyer's right to indemnification set forth in this Section 5.12(b) shall be in addition to the indemnification provisions set forth in Article VIII and shall not be subject to limitations set forth in such Article VIII.

5.13 **Post-Closing Access to Information**. At all times after the Closing Date, both the Buyer and the Seller will permit the other party and its representatives (including its counsel and auditors) upon written notice and during normal business hours, to have reasonable access to and examine and make copies, at the expense of the copying party, of all books, records, files and documents in its possession which relate to the conduct of the Business prior to the Closing Date (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege).

5.14 **Disclosure Schedules**. The Seller may (but shall not have the obligation to) provide the Buyer with a supplement or amendment to the Schedules hereto to reflect any matter arising after the date of this Agreement or of which it acquires Knowledge after the date of this Agreement, which, if existing as of the date of this Agreement, would have been required to have been set forth or described in the Schedules (each, a "**Schedule Supplement**") and, subject to the proviso at the end of this sentence, such Schedule Supplement shall amend and supplement the Schedules such that the information contained in the Schedule Supplement shall be deemed included in the Schedules for all purposes hereunder, including with respect to the satisfaction of the conditions to Closing contained herein and the Buyer's right to seek indemnification under Article VIII; provided, that all representations and warranties set forth in Article III relating to, or implicated by, the information set forth in the Schedule Supplement were true and correct as of the date of this Agreement. If the Buyer objects to any Schedule Supplement coming within the scope of the preceding sentence, the sole remedy of the Buyer shall be to terminate this Agreement pursuant to Section 7.1(a)(vi); provided, however, that such termination right shall only be available if the matters disclosed for the first time in the Schedule Supplement would prevent the condition to Closing set forth in Section 6.2(a) from being satisfied. In the event that any Schedule Supplement shall be provided later than five (5) Business Days prior to the Closing Date, the Buyer shall have the right to delay the Closing for a period of five (5) Business Days in order for the Buyer to review such Schedule Supplement.

5.15 **Corporate Name**. The Buyer shall not acquire, nor shall the Company retain, any rights to the names "Aqua", "Aqua Maine, Inc." or "Aqua America" (or any variations thereof) or any trademarks, trade names or symbols related thereto. As soon as practicable after the Closing (and in any event, no later than the 90th day thereafter), the Buyer will cause the Company to amend its organizational documents to the extent necessary to remove the "Aqua" name (and any variations thereof) from the name of the Company and to remove all trademarks, trade names and symbols related to the names "Aqua Maine, Inc." or "Aqua America" (or any variations thereof) from the properties and assets (including all signs) of the Company.

5.16 **Negotiations**. Neither the Seller nor any Person controlled by the Seller or under common control with the Seller, nor any officer, director, employee, representative or agent of the Seller or the Company, shall, prior to December 31, 2011, directly or indirectly, solicit or initiate or participate in any way in discussions or negotiations with, or provide any information or assistance to, or enter into an agreement with any Person or group of Persons (other than the Buyer or any Person controlled by the Buyer or under common control with the Buyer or any Persons providing financing to the Buyer in connection with facilitating the consummation of the transactions contemplated by this Agreement) concerning any acquisition, merger, consolidation, disposition or other transaction (or series of such transactions) that would (a) result in the transfer to any such Person or group of Persons of any of the Shares or substantially all of the Company's properties or assets or (b) prevent the consummation of the transactions contemplated by this Agreement.

5.17 **Maintenance of Books and Records**. The Seller and the Buyer shall cooperate fully with each other after the Closing so that (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege) each party has access to the business records, contracts and other information existing as of the Closing Date and relating in any manner to the Company or the conduct of the Business (whether in the possession of the Seller or the Buyer). No files, books or records existing as of the Closing Date and relating in any manner to the Company or the conduct of the Business shall be destroyed by any party, other than in accordance with such party's standard record retention policy then in effect, without giving the other party at least thirty (30) days' prior written notice, during which time such other party shall have the right (subject to the provisions hereof) to examine and to remove any such files, books and records prior to their destruction. The access to files, books and records contemplated by this Section 5.17 shall be during normal business hours and upon not less than five (5) Business Days' prior written request, shall be subject to such reasonable limitations as the party having custody or control thereof may impose to preserve the confidentiality of information contained therein, and shall not extend to material subject to a claim of privilege unless expressly waived by the party entitled to claim the same.

5.18 **Eminent Domain Proceedings**. If, prior to the Closing Date, any condemnation or eminent domain proceeding has been threatened or commenced by any Governmental Authority against any portion of the Real Property or assets of the Company, then the Seller shall promptly notify the Buyer and shall provide the Buyer with all relevant information concerning such proceedings. In the event that the condemnation or eminent domain proceeding relates to Real Property or assets having a market value in excess of $1,500,000, each of the Buyer and the Seller shall have the right either: (a) to terminate this Agreement by providing written notice to the other party within thirty (30) days of receipt by the Buyer from the Seller of the notice and all relevant information concerning such proceeding; or (b) to proceed to the Closing as provided herein, in which case, any award in condemnation or transfer resulting from negotiations pursuant to the threatened or commenced eminent domain proceeding shall be assigned by the Seller or the Company to the Buyer at the Closing. Notwithstanding the foregoing, in the event that the condemnation or eminent domain proceeding relates to Real Property or assets having a market value of less than $1,500,000, then neither the Buyer nor the Seller shall have the right to terminate this Agreement pursuant to this Section 5.18.

5.19 **Financing**

(a) The Buyer shall use its best efforts to obtain, on terms and conditions acceptable to the Buyer in its sole and absolute discretion, any financing that the Buyer, in its sole and absolute discretion, determines is necessary to consummate the transactions contemplated by this Agreement (the "**Financing**"), including using its best efforts to (i) negotiate in good faith and enter into definitive agreements with respect to the Financing; (ii) comply on a timely basis with all covenants, and satisfy on a timely basis all conditions, required to be complied with or satisfied by the Buyer in such definitive agreements; and (iii) cause the Financing to be consummated on or before the Closing Date.

(b) The Buyer shall keep the Seller reasonably informed with respect to all material activity concerning the status of the Financing and shall give the Seller prompt notice of any event or change that the Buyer determines will materially and adversely affect the ability of the Buyer to consummate the Financing.

ARTICLE VI
CONDITIONS

6.1 **Conditions Precedent to Each Party's Obligations**. All of the obligations of each party to consummate the transactions contemplated hereby are subject to the satisfaction (or the waiver in writing, where permissible, by the party to which the condition relates) on or prior to the Closing Date of each of the following conditions:

(a) Governmental Approvals. Any waiting period applicable to the consummation of the transactions contemplated hereby shall have expired or been terminated and all consents, approvals, authorizations, waivers and amendments from any Governmental Authority which are necessary for the consummation of the transactions contemplated hereby set forth on Schedule 3.3(c) and Schedule 4.3 shall have been obtained. Without limiting the generality of the foregoing, the appropriate PUC shall have issued a final and unappealable order approving the transactions contemplated hereby, and such order shall not contain any restrictions or conditions (other than those in effect on the date of this Agreement or requiring that the regulatory treatment with respect to the Company in existence as of the date of this Agreement be continued following the transactions contemplated hereby) which would be reasonably expected to have a material financial impact on the Buyer, the Seller or the Company that is not reasonably acceptable to the Buyer or the Seller, as the case may be.

(b) No Injunctions or Restraints. No applicable law or injunction enacted, entered, promulgated, enforced or issued by any Governmental Authority or other legal restraint or prohibition preventing the consummation of the transactions contemplated hereby shall be in effect, provided, however, that each of the Seller and the Buyer shall have used commercially reasonable efforts to oppose the entry of any such injunction or other order, and no action, suit, investigation, arbitration or other proceeding shall have been commenced which challenges, or seeks damages or other relief in connection with, this Agreement or any of the transactions contemplated hereby and which has not been finally concluded or dismissed with prejudice without the imposition of any finding or remedy that is reasonably expected to have a material financial impact on the Buyer, the Seller or the Company that is not reasonably acceptable to the Buyer or the Seller, as the case may be.

(c) Notices and Consents. All notices required to be given prior the Closing Date to, and all consents, approvals, authorizations, waivers and amendments required to be obtained prior to the Closing Date from, any third party in connection with the consummation of the transactions contemplated hereby set forth on Schedule 3.3(c) and Schedule 4.3, have been made and/or obtained, other than those consents, approvals, authorizations, waivers and amendments the failure of which to obtain would not reasonably be expected to have a Material Adverse Effect.

6.2 **Conditions Precedent to Obligations of the Buyer**. All of the obligations of the Buyer to consummate the transactions contemplated hereby are subject to the satisfaction (or the waiver in writing by the Buyer) on or prior to the Closing Date of each of the following conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of the Seller set forth in Article III not qualified as to materiality shall be true and correct in all material respects and such representations and warranties qualified as to materiality shall be true and correct in all respects, in each case as if made on and as of the Closing Date except for any representation or warranty made as of a specific date which shall be true and correct as of such date. The Buyer shall have received a certificate signed by an authorized officer of the Seller, dated as of the Closing Date, certifying as to the foregoing.

(b) Performance of Obligations. The Seller shall have performed or complied in all material respects with all covenants and agreements that are to be performed by or complied with by it under this Agreement at or prior to the Closing; and shall have delivered to the Buyer a certificate signed by an authorized officer of the Seller certifying as to the fulfillment of the conditions set forth in this Section 6.2 with respect to the Seller.

(c) Delivery of Transaction Documents. The Transaction Documents (other than this Agreement) shall have been executed and delivered by the parties thereto and true and complete copies thereof shall have been delivered to the Buyer.

(d) Secretary's Certificates. The Buyer shall have received a certificate, dated as of the Closing Date, signed by the Secretary of the Seller and certifying as to (i) the Company's articles of incorporation and bylaws, (ii) the incumbency of its officers executing this Agreement, and (iii) the resolutions of the Board of Directors of the Seller authorizing the execution, delivery and performance by each of them of this Agreement.

(e) Shares. The Seller shall have delivered to the Buyer certificates for the Shares, free and clear of any liens, restrictions or encumbrances.

(f) Material Adverse Effect. From the date of this Agreement, there shall not have occurred any Material Adverse Effect, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect.

(g) Director Resignations. The Buyer shall have received resignations of the directors of the Company.

(h) Intracompany Agreements. The Seller shall have terminated, or shall have caused its Affiliates (including the Company) to terminate, as of the Closing Date all (i) tax-sharing agreements and (ii) administrative services agreements, in each case solely with respect to the Company.

(i) Financing. The Buyer shall have obtained the Financing.

6.3 **Conditions Precedent to Obligations of the Seller**. All of the obligations of the Seller to consummate the transactions contemplated hereby are subject to the satisfaction (or the waiver in writing by the Seller) on or prior to the Closing Date of each of the following conditions:

(a) Accuracy of Representations and Warranties. The representations and warranties of the Buyer set forth in Article IV not qualified as to materiality shall be true and correct in all material respects and such representations and warranties qualified as to materiality shall be true and correct in all respects, in each case as if made on and as of the Closing Date except for any representation or warranty made as of a specific date which shall be true and correct as of such date. The Seller shall have received a certificate signed by an authorized officer of the Buyer, dated the Closing Date, certifying as to the foregoing.

(b) Performance of Obligations. The Buyer shall have performed or complied in all material respects with all covenants and agreements that are to be performed by or complied with by it under this Agreement at or prior to the Closing, including delivery of the Purchase Price specified in Section 2.2; and shall have delivered to the Seller a certificate signed by an authorized officer of the Buyer certifying as to the fulfillment of the conditions set forth in this Section 6.3 with respect to the Buyer.

(c) Delivery of Transaction Documents. The Transaction Documents (other than this Agreement) shall have been executed and delivered by the parties thereto and true and complete copies thereof shall have been delivered to the Seller.

(d) Secretary's Certificates. The Seller shall have received a certificate, dated as of the Closing Date, signed by the Secretary of the Buyer certifying as to (i) its certificate of incorporation and bylaws, (ii) the incumbency of its officers executing this Agreement, and (iii) the resolutions of the Board of Directors of the Buyer authorizing the execution, delivery and performance by each of them of this Agreement.

ARTICLE VII
TERMINATION

7.1 **Termination of Agreement**.

(a) Subject to the provisions of Section 7.2, this Agreement may be terminated and the transactions contemplated by this Agreement abandoned at any time prior to the Closing:

(i) by mutual written consent of the Seller and the Buyer;

(ii) by either the Seller or the Buyer, if the Closing does not occur on or prior to July 31, 2012 (which date shall be subject to the provisions of Section 7.1(a)(ix)); provided, however, that this right of termination shall not be available to any party whose material breach has caused the failure of the consummation of this Agreement by such date;

(iii) by the Seller or the Buyer if any of the conditions set forth in Section 6.1 shall have become incapable of fulfillment; provided, however, that this right of termination shall not be available to any party whose material breach has caused such conditions to be incapable of fulfillment;

(iv) by the Buyer if any of the conditions set forth in Section 6.2 shall have become incapable of fulfillment, and shall not have been waived by the Buyer; provided, however, that this right of termination shall not be available to the Buyer if the Buyer's material breach has caused such conditions to be incapable of fulfillment;

(v) by the Seller if any of the conditions set forth in Section 6.3 shall have become incapable of fulfillment, and shall not have been waived by the Seller; provided, however, that this right of termination shall not be available to the Seller if the Seller's material breach has caused such conditions to be incapable of fulfillment;

(vi) by the Buyer in accordance with Section 5.14 hereof;

(vii) by the Buyer or the Seller in accordance with Section 5.18 hereof;

(viii) by the Seller in accordance with Section 7.4 hereof; or

(ix) by the Seller twenty-one (21) calendar days after the first date on which all of the conditions set forth in Article VI other than the condition to obtain the Financing set forth in Section 6.2(i) have been waived, satisfied or fulfilled (or are capable immediately of being satisfied or fulfilled solely by the execution and delivery by the Buyer and the Seller of the Closing deliverables contemplated by this Agreement); provided, however, that such twenty-one (21) calendar day period shall be tolled for any delay caused by, or attributable to, the Seller; provided further, that the date set forth in Section 7.1(a)(ii) shall be extended by such twenty-one (21) calendar day period provided in this Section 7.1(a)(ix).

(b) In the event of termination by the Seller or the Buyer pursuant to this Section 7.1, written notice thereof shall forthwith be given to the other party and the transactions contemplated by this Agreement shall be terminated, without further action by any party. If the transactions contemplated by this Agreement are terminated as provided herein, the Buyer shall return to the Seller all documents and other material received from the Seller relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof.

7.2 **Effect of Termination**. If this Agreement is terminated and the transactions contemplated hereby are abandoned as described in Section 7.1, this Agreement shall become null and void and of no further force and effect, except for the provisions of Section 5.7, this Article VII and Article IX. Nothing in this Section 7.2 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement. Notwithstanding the foregoing and any other provision of this Agreement to the contrary, if the circumstances described in Section 7.1(a)(ix) are applicable, the Seller's right to receive payment of the Termination Fee pursuant to Section 7.4 shall be the sole and exclusive right and remedy of the Seller, whether or not the Seller shall have terminated this Agreement in accordance with the provisions of Section 7.1(a)(ix), and all other remedies (including equitable remedies) shall be deemed waived against the Buyer and its Affiliates, officers, directors, employees, agents or other representatives for any and all losses suffered or incurred by the Seller or any other Person in connection with this Agreement and upon payment of the Termination Fee none of the Buyer or any of its Affiliates, officers, directors, employees, agents or representatives shall have any further liability or obligation relating to or arising out of this Agreement.

7.3 **Survival of Representations, Warranties and Covenants**. The representations and warranties contained in this Agreement and the related indemnity obligations contained in Article VIII and in the certificates delivered pursuant to Sections 6.2 and 6.3 shall terminate eighteen (18) months after the Closing, except that (a) the representations and warranties contained in Section 3.6 (Taxes) and Section 3.11 (Benefit Plans) shall terminate on the sixtieth (60^{th}) day following the expiration of the applicable statute of limitations, (b) the representations and warranties contained in Section 3.14 (Environmental Matters) shall expire on the date that is seven (7) years after the Closing Date, and (c) the representations and warranties contained in Section 3.1 (Corporate Status), Section 3.2 (Authorization and Enforceability), Section 3.3 (Consents and Approvals), Section 3.4 (Capitalization and Stock Ownership), and Section 3.16 (Finders' Fees) shall survive indefinitely. The covenants to be performed prior to the Closing pursuant to this Agreement shall terminate upon the Closing. All other covenants shall survive the Closing and remain in effect during their applicable statute of limitations. Notwithstanding the foregoing, any claims asserted in good faith with reasonable specificity (to the extent known at such time) and in writing by the non-breaching party to the breaching party prior to the expiration of the applicable survival period shall not thereafter be barred by the expiration of the relevant representation or warranty and such claim shall survive until finally resolved.

7.4 **Termination Fee**. In the event that the Seller terminates this Agreement pursuant to the provisions of Section 7.1(a)(ix), the parties agree that the Seller shall have suffered a loss of an incalculable nature and amount, unrecoverable in law. Accordingly, if (a) in the unlikely event that the Buyer is unable to fulfill the condition to obtain Financing set forth in Section 6.2(i), (b) the Buyer and the Seller are unable to reach a mutual agreement with respect to the terms and conditions of any financing by the Seller to fund the purchase by the Buyer of the Shares pursuant to this Agreement (which financing the Buyer expressly acknowledges and agrees that the Seller is in no way obligated to provide to the Buyer), and (c) the Seller exercises its right to terminate this Agreement pursuant to the provisions of Section 7.1(a)(ix), then the Buyer shall pay the Seller a fee in the amount of $2,000,000 in cash, as liquidated damages (the "**Termination Fee**"). The Termination Fee payable pursuant to this Section 7.4 shall be paid within ten (10) Business Days after the effective date of any such termination of this Agreement.

ARTICLE VIII
INDEMNIFICATION

8.1 **Indemnification by the Seller**.

(a) Subject to the limitations contained in this Article VIII, the Seller hereby agrees to indemnify the Buyer and its respective officers, directors and Affiliates against and hold them harmless from and against any and all Damages arising out of or resulting from: (i) any breach of any representation or warranty made by the Seller or the Company in this Agreement and (ii) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Seller pursuant to this Agreement.

(b) For purposes of this Agreement, "**Damages**" shall mean any and all losses, liabilities, obligations, damages (including costs of investigation, clean-up and remediation), deficiencies, interest, costs and expenses and any claims, actions, demands, causes of action, judgments, costs and reasonable expenses (including reasonable attorneys' fees and all other reasonable expenses incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened, incident to the successful enforcement of this Agreement). For purposes of the foregoing, the Damages resulting from any inaccuracy in or breach of any representation or warranty shall be determined without regard to any materiality, Material Adverse Effect or other similar qualification contained in or otherwise applicable to such representation or warranty.

8.2 **Indemnification by the Buyer**. Subject to the limitations contained in this Article VIII, the Buyer hereby agrees to indemnify the Seller and its respective officers, directors and Affiliates against and hold them harmless from and against any and all Damages arising out of or resulting from: (a) any breach of any representation or warranty made by the Buyer in this Agreement and (b) any breach or non-fulfillment of any covenant, agreement or obligation to be performed by the Buyer pursuant to this Agreement.

8.3 **Limitation on the Buyer's Indemnification**. The Seller shall not be liable under Section 8.1(a)(i) for Damages thereunder unless the aggregate amount of all Damages for which the Seller would (but for this Section 8.3) be liable exceeds on a cumulative basis $180,000 (the "**Deductible Amount**"), and then only to the extent of any such aggregate excess, and in no event shall the liability of the Seller under Sections 8.1(a)(i) and 8.1(a)(ii) of this Agreement exceed $4,000,000 (in the aggregate (the "**Ceiling**").

8.4 **Limitation on the Seller's Indemnification**. The Buyer shall not be liable under Section 8.2(a) for Damages thereunder unless the aggregate amount of all Damages for which the Buyer would (but for this Section 8.4) be liable exceeds on a cumulative basis the Deductible Amount, and then only to the extent of any such aggregate excess and in no event shall the liability of the Buyer under Section 8.2 of this Agreement exceed the Ceiling.

8.5 **Termination of Indemnification**. The obligations to indemnify and hold harmless a party hereto, pursuant to Sections 8.1(a) and 8.2, shall terminate when the applicable survival period terminates pursuant to Section 7.3; provided, however, that such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which the Indemnified Party shall have, before the expiration of the applicable period, previously made a claim by delivering a written notice (stating in reasonable detail the basis of such claim) to the Indemnifying Party.

8.6 **Procedures Relating to Indemnification**.

(a) A party seeking indemnification pursuant to this Article VIII (an "**Indemnified Party**") shall give prompt written notice to the party from whom such indemnification is sought (the "**Indemnifying Party**") of the assertion of any claim, the incurrence of any Damages, or the commencement of any action, suit or proceeding of which it has knowledge and in respect of which indemnity may be sought hereunder (a "**Third Party Claim**"), and will give the Indemnifying Party such information with respect thereto as the Indemnifying Party may reasonably request; provided, however, that no delay or failure on the part of the Indemnified Party in so notifying the Indemnifying Party shall limit any liability or obligation for indemnification pursuant to this Article VIII except to the extent of any damage or liability caused by or arising out of such delay or failure. Thereafter, the Indemnified Party shall deliver to the Indemnifying Party, within ten (10) Business Days after the Indemnified Party's receipt thereof, copies of all notices and documents (including court papers) received by the Indemnified Party relating to such Third Party Claim. The Indemnifying Party shall have the right, exercisable by written notice to the Indemnified Party after receipt of notice from the Indemnified Party of the commencement of or assertion of any claim or action, suit or proceeding by a third party in respect of which indemnity may be sought hereunder, to assume the defense of such Third Party Claim which involves (and continues to involve) solely monetary damages using counsel reasonably satisfactory to the Indemnified Party; provided, that (A) the Indemnifying Party expressly agrees in such notice that, as between the Indemnifying Party and the Indemnified Party, solely the Indemnifying Party shall be obligated to satisfy and discharge the Third Party Claim, (B) such Third Party Claim does not include a request or demand for injunctive or other equitable relief, and (C) the Indemnifying Party makes reasonably adequate provision to assure the Indemnified Party of the ability of the Indemnifying Party to satisfy the full amount of any adverse monetary judgment that is reasonably likely to result.

(b) Neither the Indemnified Party nor the Indemnifying Party shall admit any liability with respect to, or settle, compromise or discharge any Third Party Claim without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed.

(c) The Indemnifying Party or the Indemnified Party, as the case may be, shall have the right to participate in (but not control) the defense of any Third Party Claim which the other party is defending as provided in this Agreement.

(d) The Indemnifying Party, if it shall have assumed the defense of any Third Party Claim in accordance with the terms hereof, shall have the right, upon thirty (30) days prior written notice to the Indemnified Party, to consent to the entry of judgment with respect to, or otherwise settle such Third Party Claim.

(e) In the event of any indemnification claim under this Article VIII involving a Third Party Claim, the Indemnified Party shall cooperate fully (and shall cause its Affiliates to cooperate fully) with the Indemnifying Party in the defense of any such claim under this Article VIII. Without limiting the generality of the foregoing, the Indemnified Party shall furnish the Indemnifying Party with such documentary or other evidence as is then in its or any of its Affiliates' possession as may reasonably be requested by the Indemnifying Party for the purpose of defending against any such claim. Whether or not the Indemnifying Party chooses to defend or prosecute any claim involving a third party, the parties hereto shall cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to the Indemnifying Party to, and reasonable retention by the Indemnified Party of, records and information which are reasonably relevant to such Third Party Claim, and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder, and the Indemnifying Party shall reimburse the Indemnified Party for all of its reasonable out-of-pocket expenses in connection therewith.

(f) Notwithstanding anything to the contrary in this Article VIII, the Buyer (or the other Persons for which it can claim indemnification) shall be entitled to indemnification for Damages in respect of a breach of Section 3.1 (Corporate Status), Section 3.2 (Authorization and Enforceability), Section 3.3 (Consents and Approvals), Section 3.4 (Capitalization and Stock Ownership), Section 3.6 (Taxes), Section 3.11 (Benefit Plans), and Section 3.16 (Finders' Fees) irrespective of the Deductible Amount or the Ceiling.

(g) An Indemnified Party seeking indemnification pursuant to this Article VIII in respect of Damages that do not result from a Third Party Claim (a "**Direct Claim**") shall give the Indemnifying Party prompt written notice of such Direct Claim, but the failure to give such prompt written notice shall not, relieve the Indemnifying Party of its indemnification obligations, except and only to the extent that the Indemnifying Party forfeits rights or defenses by reason of such failure. Such notice by the Indemnified Party shall describe the Direct Claim in reasonable detail, shall include copies of all material written evidence thereof and shall indicate the estimated amount, if reasonably practicable, of the Damages that have been or may be sustained by the Indemnified Party. The Indemnifying Party shall have thirty (30) days after its receipt of such notice to respond in writing to such Direct Claim. The Indemnified Party shall allow the Indemnifying Party and its professional advisors to investigate the matter or circumstance alleged to give rise to the Direct Claim, and whether and to what extent any amount is payable in respect of the Direct Claim and the Indemnified Party shall assist the Indemnifying Party's investigation by giving such information and assistance (including access to the Company's premises and personnel and the right to examine and copy any accounts, documents or records) as the Indemnifying Party or any of its professional advisors may reasonably request. If the Indemnifying Party does not so respond within such thirty (30) day period, the Indemnifying Party shall be deemed to have rejected such claim, in which case the Indemnified Party shall be free to pursue such remedies as may be available to the Indemnified Party on the terms and subject to the provisions of this Agreement.

(h) Each of the parties hereto agrees that its sole and exclusive remedy after the Closing with respect to any and all claims (other than claims arising from fraud or criminal activity) relating to this Agreement, the Company, the events giving rise to this Agreement and the transactions provided for herein or contemplated hereby, shall be pursuant to the indemnification provisions contained in this Article VIII.

(i) No right to indemnification under this Article VIII shall be limited by reason of any investigation or audit, conducted before or after the Closing, of any party hereto including, without limitation, the knowledge of such party of any breach of any representation, warranty, agreement or covenant by the other party at any time. Notwithstanding the foregoing, the waiver of any condition to the Closing based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, agreement or obligation, shall be deemed a waiver of the right to indemnification under this Article VIII with respect to such representation or warranty, covenant, agreement or obligation, unless the party providing the waiver expressly reserves in writing its right to indemnification under this Article VIII.

ARTICLE IX
MISCELLANEOUS

9.1 **Entire Agreement**. This Agreement, together with the Schedules, exhibits hereto (each, an "**Exhibit**"), the Confidentiality Agreement, dated June 15, 2009, by and between the Buyer and the Seller, and other Transaction Documents, sets forth the entire agreement and understanding of the parties hereto with respect to the transactions contemplated herein and the other matters set forth herein and supersedes all prior agreements or understandings, oral or written, among the parties regarding those matters.

9.2 **Amendment; Severability; Waiver**. This Agreement may be amended, modified or supplemented only by a written instrument duly executed by the parties hereto. If any provision of this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. Any term or provision of this Agreement may be waived at any time by the Buyer, in the case of compliance by the Seller, or the Seller, in the case of compliance by the Buyer, with any term or provision of this Agreement that the Seller, on the one hand, or the Buyer, on the other hand, was or is obligated to perform or comply with, by a written instrument duly executed by the Buyer or the Seller. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same or any other provision of this Agreement. No waiver of any condition or of the breach of any provision of this Agreement in one or more instances shall operate or be construed as a waiver of any other condition or subsequent breach.

9.3 **Interpretation**. Unless the context of this Agreement clearly requires otherwise, (a) references to the plural include the singular, the singular the plural, the part the whole, (b) references to any gender include all genders, (c) "including" has the inclusive meaning frequently identified with the phrase "but not limited to," (d) references to "hereby," "hereunder" or "herein" relate to this Agreement, and (e) any references to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder. The section and other headings contained in this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection, Exhibit and Schedule references are to this Agreement unless otherwise specified. The parties acknowledge and agree that (i) each party and its counsel have reviewed the terms and provisions of this Agreement and have contributed to its drafting, (ii) the normal rule of drafting, to the effect that any ambiguities are resolved against the drafting party, shall not be employed in the interpretation of this Agreement, and (iii) the terms and provisions of this Agreement shall be constructed fairly as to all parties hereto and not in favor of or against any party, regardless of which party was generally responsible for the preparation of this Agreement.

9.4 **Notices**. All notices that are required or permitted hereunder shall be in writing and shall be sufficient if personally delivered or sent by mail, facsimile message or Federal Express or other nationally recognized delivery service. Any notices shall be deemed given upon the earlier of the date when received at, or the third (3rd) day after the date when sent by registered or certified mail, or the day after the date when sent by Federal Express to, the address or fax number set forth below, unless such address or fax number is changed by notice in accordance herewith to the other parties hereto:

If to the Buyer:

Connecticut Water Service, Inc.
93 West Main Street
Clinton, CT 06413
Fax: 860-669-5579
Attention: Eric Thornburg
President and Chief Executive Officer

with a copy to:

Murtha Cullina LLP
CityPlace I
185 Asylum Avenue
Hartford, CT 06103-3499
Fax: 860-240-5853
Attention: Richard S. Smith, Jr., Esq.

If to the Seller:

Aqua America, Inc.
762 West Lancaster Avenue
Bryn Mawr, PA 19010
Fax: 610-645-1061
Attention: General Counsel

with a copy to:

Fox Rothschild LLP
2000 Market Street, 20th Floor
Philadelphia, PA 19103
Fax: 215-345-7507
Attention: Peter J. Tucci, Esq.

9.5 **Succession and Assignment**. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto. No party hereto may assign either this Agreement or any of its rights, interests, benefits or obligations hereunder without the prior written consent of the other party.

9.6 **Governing Law**. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to its conflicts of law principles.

9.7 **Specific Performance and Other Equitable Remedies**. The parties hereto each acknowledge that the rights of each party to consummate the transactions contemplated by this Agreement are special, unique and of extraordinary character, and that, in the event that any party breaches, threatens to breach or fails or refuses to perform any of its obligations under this Agreement, irreparable injury to the non-breaching party will result. The parties each agree, therefore, that, subject to the provisions of Section 7.2, in the event that either party breaches, threatens to breach, or fails or refuses to perform any of its obligations under this Agreement, the non-breaching party shall be entitled to, in addition to any remedies at law under this Agreement for damages or other relief, specific performance of such covenant or agreement hereunder, including injunctive relief without the necessity of posting a bond.

9.8 **Counterparts**. This Agreement may be executed in any number of counterparts (and the same may be delivered by means of facsimile or PDF file), each of which shall be deemed an original, and all of which shall constitute one and the same instrument, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

9.9 **No Third Party Beneficiaries**. Except as expressly provided in Section 5.12 and Article VIII, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other Person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

[Signature page follows.]

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first written above.

BUYER:

CONNECTICUT WATER SERVICE, INC.

By: Eric W. Thornburg
Name: Eric W. Thornburg
Title: President and Chief Executive Officer

SELLER:

AQUA AMERICA, INC.

By: Nicholas DeBenedictis
Name: Nicholas DeBenedictis
Title: President and Chief Executive Officer

Exhibit 2.2

(EXECUTION VERSION)

STOCK PURCHASE AGREEMENT

by and among

AMERICAN WATER WORKS COMPANY, INC.,

OHIO-AMERICAN WATER COMPANY,

and

AQUA OHIO, INC.

Dated as of July 8, 2011

TABLE OF CONTENTS

EXHIBITS

DISCLOSURE SCHEDULE SECTIONS

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "**Agreement**") is made and entered into as of July 8, 2011 (the "**Effective Date**"), by and among (i) Aqua Ohio, Inc., an Ohio corporation (the "**Buyer**"), (ii) Ohio-American Water Company, an Ohio corporation (the "**Company**"), and (iii) American Water Works Company, Inc., a Delaware corporation (the " **Seller**"). The Buyer, the Company and the Seller are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. The Company is a public utility in the business of: (i) storing, supplying, distributing, and selling potable and irrigation water to the public, (ii) wholesale water transmission, (iii) wastewater treatment, and (iv) related services and activities in its franchised territories in the State of Ohio (the "**Business**").

B. The Seller owns all of the issued and outstanding capital stock of the Company.

C. The Seller desires to sell, and the Buyer desires to purchase, all of the issued and outstanding stock of the Company on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and the mutual premises herein made, and in consideration of the representations, warranties and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF INTERPRETATION

1.1 Definitions.

The following capitalized terms when used herein (and in the Exhibits and Schedules hereto) shall have the meanings specified in this Section.

"**APBO**" has the meaning set forth in Section 5.5(e)(iv)(B).

"**Actual Balance Sheet Adjustment**" has the meaning set forth in Section 2.3(a).

"**Actual Pension Adjustment**" has the meaning set forth in Section 2.3(a).

"**Affiliate**" means, with respect to any particular Person, any Person controlling, controlled by or under common control with such Person, whether by ownership or control of voting securities, by contract or otherwise. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") shall mean the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities having the right to elect a majority of such Person's board of directors or similar governing body or otherwise.

"**Agreement**" has the meaning set forth in the preamble to this Agreement.

"**Allocable VEBA Assets**" has the meaning set forth in Section 5.5(e)(iv)(B).

"**Ancillary Agreements**" has the meaning set forth in Section 3.1(b).

"**Applicable Employees**" has the meaning set forth in Section 5.5(a).

"**Arbitrator**" has the meaning set forth in Section 2.3(d).

"**Audited Financial Statements**" has the meaning set forth in Section 3.2(g)(ii).

"**Balance Sheet Adjustment**" means the sum (positive or negative) of (i) the Closing Date Shareholder's Equity minus (ii) the December 31, 2010 Shareholder's Equity.

"**Balance Sheet Resolution Period**" has the meaning set forth in Section 2.3(b).

"**Bankruptcy and Equity Exceptions**" has the meaning set forth in Section 3.1(b).

"**Business**" has the meaning set forth in the recitals to this Agreement.

"**Business Day**" means any day that is not a Saturday, a Sunday, public holiday or other day on which banking institutions located in the State of Delaware are required or authorized by Law or other governmental action to be closed.

"**Buyer**" has the meaning set forth in the preamble to this Agreement.

"**Buyer Indemnified Parties**" has the meaning set forth in Section 9.1.

"**Buyer Notice**" has the meaning set forth in Section 2.3(c).

"**Buyer Plans**" has the meaning set forth in Section 5.5(d)(iii).

"**Buyer Review Period**" has the meaning set forth in Section 2.3(c).

"**Buyer's Pension Plan**" has the meaning set forth in Section 5.5(e)(i)(A).

"**CERCLA**" means the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601 et seq., and any successor law thereto.

"**CERCLIS**" has the meaning set forth in Section 3.2(u)(xi).

"**COBRA**" means the requirements of Part 6 of Subtitle B of Title I of ERISA, Section 4980B of the Code, and of any similar state Law.

"**Casualty Event**" has the meaning set forth in Section 5.12.

"**Claim Notice**" has the meaning set forth in Section 9.3.

"**Closing**" has the meaning set forth in Section 2.4.

"**Closing Adjustment**" means the sum (positive or negative) of (i) the Actual Balance Sheet Adjustment minus the Estimated Balance Sheet Adjustment plus (ii) the Actual Pension Adjustment; minus the Estimated Pension Adjustment.

"**Closing Certificate**" has the meaning set forth in Section 2.2(b).

"**Closing Conditions**" has the meaning set forth in Section 2.4.

"**Closing Date**" has the meaning set forth in Section 2.4.

"**Closing Date Shareholder's Equity**" means the shareholder's equity of the Company as of the Closing Date, as set forth on a balance sheet of the Company as of the Closing prepared in accordance with GAAP, applied in a manner consistent with the Interim Financial Statements, calculated in a manner consistent with the calculation of the December 31, 2010 Shareholder's Equity as determined in accordance with Exhibit A, and reflecting the actions required pursuant to Section 5.7.

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

"**Company**" has the meaning set forth in the preamble to this Agreement.

"**Company Intellectual Property**" has the meaning set forth in Section 3.2(l)(i).

"**Continuing Support Obligation**" has the meaning set forth in Section 5.6(d).

"**Contract**" means any written contract, license, sublicense, mortgage, purchase order, indenture, loan agreement, lease, sublease, agreement or instrument or any binding commitment to enter into any of the foregoing to which the Company is a party or by which the Company or any of its property or assets are bound.

"**Controlling Party**" has the meaning set forth in Section 9.5(a).

"**DOJ**" has the meaning set forth in Section 5.1(b).

"**Data**" means the data relating to the Business as currently stored in an electronic format on computer servers operated by the Seller, including financial, employee, customer payment and billing information, customer service records, and maintenance records.

"**December 31, 2010 Shareholder's Equity**" means $89,751,000, which is the adjusted shareholder's equity of the Company as of December 31, 2010 as determined in accordance with Exhibit A.

"**Disclosure Schedule**" means the schedule attached to this Agreement setting forth exceptions to the representations and warranties set forth herein.

"**Disclosure Schedule Supplement**" has the meaning set forth in Section 5.17

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"**ERISA Affiliate**" means any business entity that (a) is included in a controlled group of entities within which the Company is also included, as provided in Section 414(b) of the Code; (b) is a trade or business under common control with the Company, as provided in Section 414(c) of the Code; (c) constitutes a member of an affiliated service group within which the Company is also included, as provided in Section 414(m) of the Code; or (d) pursuant to written notice from the IRS, is required to be aggregated with the Company pursuant to regulations issued under Section 414(o) of the Code.

"**Effective Date**" has the meaning set forth in the preamble to this Agreement.

"**Environmental Laws**" means any common law or federal, state or local law, statutes, rule, regulation, ordinance, code, judgment or order relating to the protection of the environment or human health and safety and includes, but is not limited to CERCLA, the Clean Water Act (33 U.S.C. § 1251, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901, et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601, et seq.), the Safe Drinking Water Act (42 U.S.C. § 300f, et seq.), the Clean Air Act (42 U.S.C. § 7401, et seq.) and the Oil Pollution Act of 1990 (33 U.S.C. § 2701, et seq.) such as has been or may be interpreted or amended as of the Closing Date and the regulations promulgated pursuant thereto and in effect as of the Closing Date.

"**Estimated Balance Sheet Adjustment**" has the meaning set forth in Section 2.2(b).

"**Estimated Payment**" has the meaning set forth in Section 2.2(c).

"**Estimated Pension Adjustment**" has the meaning set forth in Section 2.2(b).

"**FTC**" has the meaning set forth in Section 5.1(b).

"**Final Order**" means an action or decision of a Governmental Authority as to which, (i) no request for a stay is pending, no stay is in effect, and any deadline for filing such request that may be designated by applicable Laws has passed, (ii) no petition for rehearing or reconsideration or application for review is pending and the time for the filing of such petition or application has passed, (iii) the Governmental Authority does not have the action or decision under reconsideration on its own motion and the time within which it may effect such reconsideration has passed, and (iv) no judicial appeal is pending or in effect and any deadline for filing any such appeal that may be designated by statute or rule has passed.

"**Financial Statements**" has the meaning set forth in Section 3.2(g)(i).

"**GAAP**" means generally accepted accounting principles in the United States as in effect from time to time applied consistently throughout the periods involved.

"**Governmental Authority**" means any government or political subdivision, whether federal, state, local or foreign, or any agency, regulatory authority or instrumentality of any such government or political subdivision, or any federal, state or local court or arbitrator, including any PUC.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**Hazardous Material**" means any pollutants, contaminants or hazardous or regulated substances (as such terms are defined under CERCLA or corresponding state Law), pesticides (as such term is defined under the Federal Insecticide, Fungicide and Rodenticide Act), solid wastes, special wastes and hazardous wastes (as such terms are defined under the Resource Conservation and Recovery Act or corresponding provision of state Law), chemicals, other hazardous, radioactive or toxic materials, oil, petroleum and petroleum products (and fractions thereof), or any other material (or article containing such material) listed or subject to regulation under any federal, state or local Law, Permit, or directive due to its potential, directly or indirectly, to harm the environment or the health of humans or animals.

"**IRS**" means the Internal Revenue Service.

"**Indebtedness**" means, with respect to any Person, all outstanding obligations of such Person (a) for borrowed money; (b) evidenced by notes, bonds, debentures or similar instruments; or (c) in the nature of guarantees of obligations of the types described in clauses (a) or (b) above of any other Person.

"**Indemnified Party**" has the meaning set forth in Section 9.5(a).

"**Indemnifying Party**" has the meaning set forth in Section 9.5(a).

"**Intellectual Property**" means any and all of the following in the United States and outside of the United States: (a) all registered and unregistered trademarks, trade dress, service marks, logos, trade names, corporate names, other indicia of source of origin, and all applications to register the same; (b) all issued U.S. and foreign patents and pending patent applications, patent disclosures and improvements thereto, and rights related thereto; and (c) all registered and unregistered copyrights and all applications to register the same.

"**Intercompany Debt**" means all payables, receivables and Indebtedness between the Company, on the one hand, and the Seller or any of its Affiliates (other than the Company), on the other hand.

"**Interim Financial Statements**" has the meaning set forth in Section 3.2(g)(i).

"**Knowledge of the Company**", "**the Company's Knowledge**" or words of similar import means the actual knowledge of the following persons, after reasonable inquiry: (1) David K. Little, President of the Company; (2) Gary VerDouw, Director of Rates; (3) Kurtis Stauel, Director of Human Resources; (4) Ed Vandall, Director Operational Risk Management; (5) Nick Rowe, Vice President, Eastern Division; (6) James Pellock, Senior Manager, Corporate Development; (7) Carl Meyers, Director of Corporate Income Tax; (8) Robert Sievers, Vice President Finance and Accounting; and (9) Debbie Krauss-Kelleher, Director Compensation and Benefits, or such other persons who succeed any of the foregoing persons in such positions and other persons who performs the customary roles and functions indicated by such titles.

"**Latest Balance Sheet**" has the meaning set forth in Section 3.2(g)(i).

"**Latest Balance Sheet Date**" has the meaning set forth in Section 3.2(g)(i).

"**Law**" means any federal, state or local statute, law, regulation, code, ordinance, executive order, judgment, order, decree, stipulation, injunction, administrative order, common law doctrine or other regulation or rule of any Governmental Authority.

"**Lease**" or "**Leases**" has the meaning set forth in Section 3.2(k)(i).

"**Leased Real Property**" has the meaning set forth in Section 3.2(k)(i).

"**Legal Proceeding**" means any litigation, action, arbitration, suit, hearing, claim or other similar proceeding, before or by any Governmental Authority.

"**Liability**" or "**Liabilities**" means any and all debts, liabilities and/or obligations of any type, nature or description (whether known or unknown, asserted or unasserted, secured or unsecured, absolute or contingent, accrued or unaccrued, liquidated or unliquidated and whether due or to become due).

"**Lien**" means, whether arising by statute or otherwise, any mortgage, charge, pledge, security interest, lien, prior assignment, option, warrant, lease, sublease, right to possession, claim or other encumbrance, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to any property; provided that the term "Lien" shall not include restrictions on transfers of securities imposed by applicable state and federal Law.

"**Losses**" means all losses, damages, assessments, judgments, awards, fines, penalties, Taxes, interest, costs and expenses (including actual, reasonable out-of-pocket third party costs, fees and expenses of legal counsel and reasonable out-of-pocket third party costs, fees and expenses of investigation).

"**Material Adverse Effect**" means any circumstance, occurrence, change or effect that is materially adverse to (i) the Business, assets, financial condition or results of operations of the Company taken as a whole; provided, however, that the term "Material Adverse Effect" shall not include any change or effect that is or results from any of the following: (a) changes in Law or interpretations thereof, or regulatory policy or interpretation, by any Governmental Authority, (b) changes in GAAP, (c) changes in general economic conditions, and events or conditions generally affecting the industries in which the Company operates, or (d) national or international hostilities, acts of terror or acts of war, in the case of clauses (a) and (c), which do not have a materially disproportionate effect on the Company; or (ii) the ability of the Seller or the Company to timely consummate the transactions contemplated hereby or to perform its obligations under this Agreement and the Ancillary Agreements.

"**Material Contract**" has the meaning set forth in Section 3.2(m).

"**Most Recent Fiscal Year End**" has the meaning set forth in Section 3.2(g)(i).

"**Multiemployer Plan**" has the meaning set forth in Section 3.2(p)(ii)(G).

"**New York Purchase Agreement**" means the Stock Purchase Agreement by and between the Parent and the Seller, dated of even date herewith, relating to the sale of all of the outstanding shares of capital stock of Aqua New York, Inc. by Aqua Utilities, Inc. (a wholly-owned subsidiary of the Parent) to the Seller.

"**Non-Controlling Party**" has the meaning set forth in Section 9.5(a).

"**Non-Disclosure Agreement**" has the meaning set forth in Section 5.3(a).

"**Nonqualified Plans**" has the meaning set forth in Section 5.5(e)(v).

"**Order**" means any award, decision, injunction, judgment, order, writ, decree, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, other Governmental Authority, or by any arbitrator, each of which possesses competent jurisdiction.

"**Ordinary Course of Business**" means, with respect to the Company, an action that is in the ordinary course of normal day-to-day operations of the Company consistent in nature, scope and magnitude with the past custom and practice of the Company in the operation of its Business.

"**Outside Date**" has the meaning set forth in Section 8.1(a).

"**Owned Real Property**" has the meaning set forth in Section 3.2(k)(i).

"**PBO**" means the Projected Benefit Obligation.

"**PCBs**" has the meaning set forth in Section 3.2(u)(x).

"**PUC**" means any state public utility commission, state public service commission, or similar state regulatory body.

"**Parent**" means Aqua America, Inc., a Pennsylvania corporation.

"**Party**" or "**Parties**" has the meaning set forth in the preamble to this Agreement.

"**Pension Adjustment**" means (i) minus (ii) where (i) is the pension assets transferred from the Seller's Pension Plan to the Buyer's Pension Plan based on ERISA requirements for affected participants (as set forth in Section 5.5(e)(i)(A)) calculated as of the Closing Date and (ii) is the amount of Allocable Pension Assets attributable to the affected participants for purposes of calculating pension expense. The Allocable Pension Assets in subsection (ii) above will be calculated by the actuaries for the Seller's Pension Plan as of the Closing Date. For purposes hereof, "Allocable Pension Assets" means an amount equal to: (1) the PBO for the affected participants as a percentage of (2) the PBO for the total plan, multiplied by (3) the total fair value of pension assets for the Seller's Pension Plan as of the last day of the month prior to the Closing Date, adjusted for interest at LIBOR and benefit payments and contributions through the Closing Date. The PBO for purposes of the above calculation will be the PBO calculated as of the most recent fiscal year-end. The total fair value of pension assets noted in (3) above will be adjusted to include any assets transferred from the Seller's Pension Plan, or exclude any assets transferred to the Seller's Pension Plan, under Section 414(l) of the Code between fiscal year-end and the Closing Date for purposes of a transaction separate from this Agreement.

"**Pension Plan**" has the meaning set forth in Section 3.2(p)(ii)(G).

"**Pension Resolution Period**" has the meaning set forth in Section 2.3(c).

"**Permits**" has the meaning set forth in Section 3.2(q)(i).

"**Permitted Liens**" means (a) statutory Liens for Taxes not yet due and payable as of the Closing Date or which are being contested in good faith and by appropriate proceedings, (b) encumbrances in the nature of zoning restrictions, easements, rights or restrictions of record on the use of real property that do not materially impair the continued use of such property in the Business in the manner in which it is currently used, (c) Liens to secure obligations owed to landlords, lessors or renters under leases or rental agreements for the occupancy or use of real or personal property, (d) deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pension programs mandated under applicable Law or other social security regulations, (e) Liens in favor of carriers, warehousemen, mechanics and materialmen, Liens to secure claims for labor, material or supplies and other similar Liens incurred in the Ordinary Course of Business or being contested in good faith and by appropriate Legal Proceedings and for which reserves have been established on the financial statements of the Company in accordance with GAAP, (f) Liens to secure Indebtedness that will be repaid and released or discharged at the Closing, (g) Intellectual Property licenses, and (h) Liens set forth in Section 1.1 of the Disclosure Schedule.

"**Person**" means any individual, trust, corporation, partnership, limited partnership, limited liability company, unincorporated association, joint venture, joint stock company, Governmental Authority or other entity.

"**Plan**" means: (i) each "employee benefit plan," as defined in Section 3(3) of ERISA, including any "multiemployer plan" as defined in Section 3(37) of ERISA, each determined without regard to whether such plan is subject to ERISA; and (ii) any other plan, fund, policy, program, arrangement or scheme, qualified or nonqualified that involves any pension, retirement, thrift, saving, profit sharing, welfare, wellness, medical, voluntary employees' beneficiary association or related trust, disability, group insurance, life insurance, severance pay, compensation, deferred compensation, flexible benefit, excess or supplemental benefit, vacation, summer hours, stock-related, stock option, phantom stock, supplemental unemployment, layoff, "golden parachute", retention, fringe benefit or incentives; in the case of (i) or (ii), which pertains to any employee, former employee, director, or officer of the Company and (a) to which the Company is or has been a party or sponsoring, participating or contributing employer or by which it is or has been bound as of the Effective Date, or (b) to which the Company may otherwise have any Liability, whether direct or indirect (including any such plan or arrangement formerly maintained by or participated in or contributed to by the Company).

"**Pre-Closing Period**" has the meaning set forth in Section 5.2.

"**Pre-Closing Tax Period**" means all taxable periods ending on or before the Closing Date or which relate to an event or transaction occurring on or before the Closing Date and, for any taxable period that includes (but does not end on) the Closing Date, the portion thereof occurring up to and through the end of the Closing Date.

"**Purchase Price**" has the meaning set forth in Section 2.1.

"**Release**" has the same meaning as defined in CERCLA at 42 U.S.C. § 9601(22).

"**Remedial Action**" means all action to (x) clean up, remove, treat or in any other way respond to any presence, Release or threat of Release of Hazardous Material; (y) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not endanger or threaten to endanger public or employee health or welfare or the environment; or (z) perform studies, investigation or monitoring necessary or required to investigate the foregoing.

"**Representatives**" means, with respect to any Person, such Person's officers, directors, employees, affiliates, partners, members, stockholders, financial or other advisors, attorneys, accountants and financing sources.

"**Restricted Parties**" has the meaning set forth in Section 5.11.

"**RWE Promise Employee**" has the meaning set forth in Section 5.5(e)(iv)(A).

"**Savings Plan**" has the meaning set forth in Section 5.5(e)(iii).

"**Seller**" has the meaning set forth in the preamble to this Agreement.

"**Seller Designee**" has the meaning set forth in Section 5.3(b).

"**Seller Indemnified Parties**" has the meaning set forth in Section 9.2.

"**Seller Marks**" has the meaning set forth in Section 5.4.

"**Seller Notice**" has the meaning set forth in Section 2.3(b).

"**Seller Notice Period**" has the meaning set forth in Section 2.3(b).

"**Seller Retiree Welfare Plan**" has the meaning set forth in Section 5.5(e)(iv)(A).

"**Seller's VEBAs**" has the meaning set forth in Section 5.5(e)(iv)(B).

"**Stock**" means all of the issued and outstanding shares of capital stock of the Company owned by the Seller.

"**Straddle Period**" has the meaning set forth in Section 7.1(a).

"**Support Obligations**" has the meaning set forth in Section 5.6(a).

"**Tax**" or "**Taxes**" means any federal, state, local or foreign income, gross receipts, franchise, withholding, estimated, alternative minimum, add-on minimum, sales, use, transfer, registration, value added, ad valorem, excise, severance, stamp, occupation, premium, windfall profit, custom, duty, real property, personal property, capital stock, social security, employment, unemployment, disability, payroll, license, employee or other tax, including all interest, penalties and additions to tax with respect to any of the foregoing.

"**Tax Benefit**" means any refund of, credit for or reduction in, any Tax.

"**Tax Return**" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Terminated Contracts" has the meaning set forth in Section 5.8(a).

"**Third Party Claim**" has the meaning set forth in Section 9.5(a).

"**Transfer Taxes**" has the meaning set forth in Section 7.1(e).

"**Transition Services Agreement**" has the meaning set forth in Section 5.8(b).

"**WARN Act**" has the meaning set forth in Section 3.2(o)(iii).

1.2 Rules of Interpretation.

The Parties have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumptions or burdens of proof shall arise favoring any Party by virtue of the authorship of any of the provisions of this Agreement. As used in this Agreement, the word "including" means without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Each defined term used in this Agreement shall have a comparable meaning when used in its plural or singular form. Unless the context otherwise requires, references herein: (a) to Articles, Sections, Exhibits and Schedules mean the Articles and Sections of and the Exhibits and Schedules attached to this Agreement, (b) to an

agreement, instrument or document means such agreement, instrument or document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and not prohibited by this Agreement, and (c) to a Law means such Law as amended from time to time and includes any successor legislation thereto. The headings and captions used in this Agreement, or in any Schedule or Exhibit hereto, are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect any provision of this Agreement or any Schedule or Exhibit hereto. Any capitalized terms used in any Schedule or Exhibit attached hereto and not otherwise defined therein shall have the meanings set forth in this Agreement. All amounts payable hereunder and set forth in this Agreement are expressed in U.S. dollars, and all references to dollars (or the symbol "$") contained herein shall be deemed to refer to U.S. dollars. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

ARTICLE II
PURCHASE AND SALE

2.1 Purchase and Sale. Subject to the provisions of this Agreement, on the Closing Date, the Buyer will purchase, and the Seller will sell, transfer and assign to the Buyer, free and clear of any and all Liens, the Stock, which constitutes 100% of the issued and outstanding capital stock of the Company. As consideration for the purchase of the Stock at the Closing, subject to the provisions of this Agreement and the adjustments and payments set forth in Section 2.2 and Section 2.3, the Buyer shall pay the Seller the aggregate amount of $88,551,000 (the "**Purchase Price**").

2.2 Payments at the Closing.

(a) Subject to adjustment pursuant to this Section 2.2 and Section 2.3, at the Closing, the Buyer shall pay the Estimated Payment payable to the Seller (i) by wire transfer of immediately available funds to an account or accounts designated in writing by the Seller or (ii) if wire transfer instructions are not provided at least two (2) Business Days prior to the Closing, by check payable in immediately available funds.

(b) Not less than four (4) Business Days prior to the Closing Date, the Seller shall provide the Buyer with a certificate (the "**Closing Certificate**") containing a good faith estimate of: (i) the Balance Sheet Adjustment as of the Closing Date (the "**Estimated Balance Sheet Adjustment**"), and (ii) the Pension Adjustment as of the Closing Date (the "**Estimated Pension Adjustment**").

(c) The "**Estimated Payment**" shall be the dollar amount calculated as follows:

(i) the Purchase Price;

(ii) plus or minus the Estimated Balance Sheet Adjustment;

(iii) plus the Estimated Pension Adjustment.

2.3 Post-Closing Adjustments.

(a) Within ninety (90) days after the Closing Date, (i) the Buyer shall deliver to the Seller the Balance Sheet Adjustment as of the Closing Date (the "**Actual Balance Sheet Adjustment**") and (ii) the Seller shall deliver to the Buyer the Pension Adjustment as of the Closing Date (the "**Actual Pension Adjustment**").

(b) If the Seller has any objections to the Actual Balance Sheet Adjustment as prepared by the Buyer, the Seller shall, within thirty (30) Business Days after the Seller's receipt thereof (the "**Seller Notice Period**"), give written notice (the "**Seller Notice**") to the Buyer specifying in reasonable detail such objections and the basis therefor, and calculations which the Seller has determined in good faith are necessary to eliminate such objections. If the Seller does not deliver the Seller Notice within the Seller Notice Period, the Buyer's determinations on the Actual Balance Sheet Adjustment shall be final, binding and conclusive on the Seller and the Buyer. If the Seller provides a Seller Notice within the Seller Notice Period, the Seller and the Buyer shall negotiate in good faith during the fifteen (15) Business Day period (the "**Balance Sheet Resolution Period**") after the date of the Buyer's receipt of the Seller Notice to resolve any disputes regarding the Actual Balance Sheet Adjustment.

(c) The Buyer shall have fifteen (15) Business Days following receipt of the Actual Pension Adjustment to review the Actual Pension Adjustment provided by the Seller (the "**Buyer Review Period**"). The Seller shall cooperate in good faith during the Buyer Review Period in responding to any questions the Buyer has regarding the Actual Pension Adjustment calculation. If the Buyer has objections to the Actual Pension Adjustment as prepared by the Seller, other than to the Seller's fiscal year end assumptions or to a calculation which has been performed without error in accordance with the requirements of Section 4044 of ERISA, the Buyer shall, by the end of the Buyer Review Period, give written notice (the "**Buyer Notice**") to the Seller. Such Buyer Notice shall specify in reasonable detail such objections and the basis therefor, and calculations which the Buyer has determined in good faith are necessary to eliminate such objections. If the Buyer does not deliver the Buyer Notice within the Buyer Review Period, the Seller's determinations on the Actual Pension Adjustment shall be final, binding and conclusive on the Buyer and the Seller. If the Buyer provides a Buyer Notice within the Buyer Review Period, the Buyer and the Seller shall negotiate in good faith during the fifteen (15) Business Day period (the "**Pension Resolution Period**") after the date of the Seller's receipt of the Buyer Notice to resolve any disputes regarding the Actual Pension Adjustment.

(d) If the Seller and the Buyer are unable to resolve all such disputes within the Resolution Period or the Pension Resolution Period, as the case may be, then within five (5) Business Days after the expiration of the applicable Resolution Period, all unresolved disputes shall be submitted to Asher & Company, Ltd. (the "**Arbitrator**"), who shall be engaged to provide a final, binding and conclusive resolution of all such unresolved disputes within thirty (30) Business Days after such engagement. The Arbitrator shall act as an independent arbitrator to determine, based solely on the presentations by the Seller and the Buyer and not by independent review, only those issues that remain in dispute. Upon final resolution of all disputed items, the Arbitrator shall issue a report showing its final calculation of such disputed items. The determination of the Arbitrator shall be final, binding and conclusive on the Seller and the Buyer, and the fees and expenses of the Arbitrator shall be borne 50% by the Seller and 50% by the Buyer. In connection with the resolution of any dispute, each party (the Seller on one hand and the Buyer on the other) shall pay its own fees and expenses, including legal, accounting and consultant fees and expenses. Notwithstanding anything to the contrary in this Agreement, any disputes regarding the Actual Balance Sheet Adjustment or the Actual Pension Adjustment shall be resolved as set forth in this Section 2.3.

(e) Within ten (10) Business Days of the final determination of the Actual Balance Sheet Adjustment and the Actual Pension Adjustment in accordance with this Section 2.3, the resulting Closing Adjustment shall be paid in immediately available funds. If the Closing Adjustment is a positive number, the Closing Adjustment shall be paid by the Buyer to the Seller. If the Closing Adjustment is a negative number, the Closing Adjustment shall be paid by the Seller to the Buyer. Any Closing Adjustment shall be an adjustment to the Purchase Price.

2.4 The Closing. The closing of the purchase and sale of the Stock contemplated hereby (the "**Closing**") will take place commencing at 10:00 a.m. local time as promptly as practicable following, but not later than the third (3rd) Business Day following, the satisfaction or waiver of the conditions to the Closing set forth in Section 6.1, Section 6.2 and Section 6.3 (the "**Closing Conditions**"), at the offices of Reed Smith LLP, 2500 One Liberty Place, 1650 Market Street, Philadelphia, Pennsylvania 19103 (or at such other time or place as the Parties may agree). The date on which the Closing actually occurs is referred to herein as the "**Closing Date**." Subject to the provisions of Article VIII, the failure to consummate the Closing on the date and time determined pursuant to this Section 2.4 shall not result in termination of this Agreement and shall not relieve any Party to this Agreement of any obligation hereunder.

2.5 Closing Deliveries.

(a) At the Closing, the Seller and the Company, as applicable, will deliver or cause to be delivered to the Buyer the following items:

(i) original certificates evidencing all of the Stock, together with stock powers and assignments with respect thereto separate from such certificates signed by the Seller in a form reasonably satisfactory to the Buyer;

(ii) a certificate signed by an officer of the Company and the Seller, as applicable, to the effect that each of the conditions set forth in Sections 6.1(a) and 6.1(b) have been satisfied in all respects;

(iii) a certificate of the Seller certifying that the transactions contemplated hereby are exempt from withholding under Section 1445 of the Code;

(iv) resignations effective as of the Closing of the officers and directors of the Company identified by the Buyer to the Seller in writing no less than ten (10) Business Days prior to the Closing;

(v) copies of the certificate of good standing of the Seller and the Company issued on or within ten (10) days prior to the Closing Date by the Secretary of State (or comparable officer) of the jurisdiction of each such Party's organization;

(vi) copies of the certificate of incorporation (or formation) of the Seller and the Company certified on or within ten (10) days prior to the Closing Date by the Secretary of State (or comparable officer) of the jurisdiction of each such Party's incorporation (or formation);

(vii) a certificate of the secretary or an assistant secretary of the Seller, dated as of the Closing Date, in form and substance reasonably satisfactory to the Buyer, including: (i) the resolutions of the board of directors or other authorizing body of the Seller authorizing the execution, delivery, and performance of this Agreement and the transactions contemplated hereby; and (ii) an incumbency certificate and signatures of the officers of the Seller executing this Agreement or any other agreement contemplated by this Agreement;

(viii) a certificate of the secretary or an assistant secretary of the Company, dated as of the Closing Date, in form and substance reasonably satisfactory to the Buyer, including: (i) a representation that there have been no amendments to the certificate of incorporation (or formation) of the Company since the date such document was obtained pursuant to clause (vi) above; (ii) the bylaws (or other governing documents) of the Company; and (iii) any resolutions of the board of directors or other authorizing body of the Company relating to this Agreement and the transactions contemplated hereby; and

(ix) copies of the consents set forth on Section 2.5(a)(ix) of the Disclosure Schedule.

(b) At the Closing, the Buyer will deliver or cause to be delivered to the Seller or other designated Person the following items:

(i) to the Seller, cash by wire transfer of immediately available funds to an account or accounts designated by the Seller in writing at least two (2) Business Days prior to the Closing, in an amount equal to the Estimated Payment;

(ii) a certificate of the secretary or an assistant secretary of the Buyer, dated as of the Closing Date, in form and substance reasonably satisfactory to the Seller, including: (i) the resolutions of the board of directors or other authorizing body (or a duly authorized committee thereof) of the Buyer authorizing the execution, delivery, and performance of this Agreement and the transactions contemplated hereby; and (ii) an incumbency certificate and signatures of the officers of the Buyer executing this Agreement or any other agreement contemplated by this Agreement; and

(iii) a certificate signed by an officer of the Buyer to the effect that each of the conditions specified in Sections 6.2(a) and 6.2(b) have been satisfied in all respects.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE SELLER AND THE COMPANY

3.1 Representations and Warranties Concerning the Seller. As an inducement for the Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, the Seller represents and warrants to the Buyer as follows:

(a) *Ownership*. The Seller is the record owner of the Stock. The Seller has good and valid title to the Stock, free and clear of any Liens (other than Permitted Liens).

(b) *Organization and Authorization*. The Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware, and has the full right, capacity, power and authority to execute and deliver this Agreement and all other agreements, documents and instruments relating hereto (the "**Ancillary Agreements**") entered into by the Seller, and to perform the Seller's obligations hereunder and thereunder. This Agreement and each of the Ancillary Agreements, as applicable, to which the Seller is a party have been or will be duly executed and delivered by the Seller and, assuming the due authorization, execution and delivery by each of the other parties thereto, constitutes or will constitute a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with their respective terms except (i) as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to creditors' rights generally and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Legal Proceeding therefor may be brought (clauses (i) and (ii) collectively, the "**Bankruptcy and Equity Exceptions**").

(c) *Non-Contravention*. Except as set forth in Section 3.1(c) of the Disclosure Schedule, the execution, delivery and performance of this Agreement and the Ancillary Agreements by the Seller, and the consummation of the transactions contemplated hereby or thereby, do not and will not conflict with or result in any breach of, constitute a default under, result in a violation of, result in the creation of any Lien, other than Permitted Liens, upon the Stock or any other assets of the Seller, or require any authorization, consent, approval, exemption or other action by or notice to any Governmental Authority or other Person, under (i) the provisions of the Seller's organizational documents, (ii) any Contract to which the Seller is a party, or (iii) or any Law applicable to the Seller, except, in the case of clauses (ii) and (iii), to the extent such conflict, breach, default, violation, Lien or requirement would not, individually or in the aggregate, have a Material Adverse Effect.

(d) *Governmental Consents*. Except for (i) filings required by the HSR Act, (ii) the required approvals, consents, authorizations, permits, filings or notifications of any Governmental Authority set forth in Section 3.1(d) of the Disclosure Schedule, or (iii) where the failure to obtain such approvals, consents, authorizations or permits, or to make such filings or notifications, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the ability of the Seller to consummate the Closing hereunder in accordance with this Agreement or to perform its obligations under this Agreement and the Ancillary Agreements, no approval, consent, authorization or other order of, declaration to, or filing with, any Governmental Authority by or on behalf of the Seller is required for or in connection with the authorization, execution, delivery and performance by the Seller of its obligations under this Agreement and the Ancillary Agreements.

(e) *Litigation*. There is no Legal Proceeding pending or, to the knowledge of the Seller, threatened against the Seller which (i) if determined adversely would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the ability of the Seller to perform its obligations under this Agreement or the Ancillary Agreements to which it is a party or (ii) seeks rescission of or seeks to enjoin the consummation of this Agreement or any of the transactions contemplated hereby.

(f) *Brokers*. Except as set forth in Section 3.1(f) of the Disclosure Schedule, the Seller has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or the Ancillary Agreements for which the Buyer or the Company could become liable or otherwise obligated.

3.2 Representations and Warranties Concerning the Company. As an inducement for the Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, the Seller and the Company, jointly and severally, represent and warrant to the Buyer as follows:

(a) *Organization, Qualification and Authority*. The Company is a corporation duly organized, validly existing and in good standing under the Laws of the State of Ohio. The Company has all requisite corporate power and authority to carry on the Business as presently conducted and to own and use its properties, except as would not have, individually or in the aggregate, a Material Adverse Effect. True and correct copies of the Company's organizational documents, in each case as amended to date, have been provided to the Buyer. The minute books (containing the records of meetings of the stockholders, the board of directors, and any committees of the board of directors) of the Company are correct and complete in all material respects. The Company is not in default under, or in violation of, any material provision of its organizational documents. The Company is qualified to conduct business and is in good standing under the laws of each jurisdiction wherein the nature of the Business or its ownership of property requires it to be so qualified, except where the failure to be so qualified would not have, individually or in the aggregate, a Material Adverse Effect.

(b) *Authorization of Transaction*. The execution, delivery and performance by the Company of this Agreement and the Ancillary Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all requisite corporate action of the Company, and no other proceedings on the Company's part are necessary to authorize the execution, delivery or performance of this Agreement or the Ancillary Agreements. This Agreement and each of the Ancillary Agreements, as applicable, to which the Company is a party has been or will be duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the other parties hereto or thereto, constitutes or will constitute a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the Bankruptcy and Equity Exceptions.

(c) *Non-Contravention*. Except as set forth in Section 3.2(c) of the Disclosure Schedule, the execution, delivery and performance of this Agreement and the Ancillary Agreements by the Company, and the consummation of the transactions contemplated hereby or thereby, do not and will not conflict with or result in any breach of, constitute a default under, result in a violation of, result in the creation of any Lien, other than Permitted Liens, upon the Stock or any assets of the Company, or require any authorization, consent, approval, exemption or other action by or notice to any Governmental Authority or other Person, under (i) the provisions of the Company's organizational documents, (ii) any Contract to which the Company is a party that is material to the conduct of the Business by the Company, or (iii) any Law applicable to the Company, except, in the case of clauses (ii) or (iii), to the extent such conflict, breach, default, violation, Lien or requirement would not, individually or in the aggregate, have a Material Adverse Effect.

(d) *Capitalization*. Section 3.2(d) of the Disclosure Schedule sets forth (i) the number of authorized shares of capital stock or other authorized equity securities of the Company, and (ii) the number of issued and outstanding shares of capital stock of the Company, all of which are owned by the Seller and are validly issued, fully paid and nonassessable. Except as set forth in Section 3.2(d) of the Disclosure Schedule, there are no currently outstanding or authorized options, warrants, rights, contracts, rights of first refusal or first offer, calls, puts, rights to subscribe, conversion rights, or other agreements or commitments to which the Company is a party or by which it is bound providing for the issuance, disposition, or acquisition of any of its equity securities.

(e) *No Subsidiaries*. The Company does not hold or own any stock, partnership, interest, joint venture interest or other equity ownership interest in any other Person.

(f) *Governmental Consents*. Except for (i) filings required by the HSR Act, (ii) the required approvals, consents, authorizations, permits, filings or notifications of any Governmental Authority set forth in Section 3.2(f) of the Disclosure Schedule, or (iii) where the failure to obtain such approvals, consents, authorizations or permits, or to make such filings or notifications, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, no approval, consent, or authorization or other order of, declaration to, or filing with, any Governmental Authority by or on behalf of the Company is required for or in connection with the authorization, execution, delivery and performance by the Company of its obligations under this Agreement and the Ancillary Agreements.

(g) *Financial Statements; Books and Records*.

(i) The Seller has made available to the Buyer, correct and complete copies of the following (collectively, the "**Financial Statements**"): (A) audited balance sheets and related consolidated statements of income, changes in shareholders' equity and cash flows of the Company as of and for each of the calendar years ended December 31, 2010 and 2009 (with December 31, 2010 being the "**Most Recent Fiscal Year End**") (collectively, the "**Audited Financial Statements**"), and (B) the unaudited consolidated balance sheet (the "**Latest Balance Sheet**") as of March 31, 2011 (the "**Latest Balance Sheet Date**") and related consolidated statement of income of the Company for the three (3) month period ending on the Latest Balance Sheet Date (the "**Interim Financial Statements**").

(ii) The Audited Financial Statements are correct and complete, have been prepared in accordance with GAAP, consistently applied throughout the periods indicated, and fairly present in all material respects the financial condition and results of operations and cash flows of the Company as of the respective dates thereof and for the periods referred to therein. The Interim Financial Statements are correct and complete, have been prepared in accordance with GAAP, consistently applied throughout the period indicated, and fairly present in all material respects the financial condition and results of operations and cash flows of the Company as of the date thereof and for the period referred to therein, except that the Interim Financial Statements are subject to normal year-end adjustments (none of which are reasonably expected to be material) and lack the footnote disclosure otherwise required by GAAP.

(h) *Change in Condition*. Except as set forth in Section 3.2(h) of the Disclosure Schedule, since the Latest Balance Sheet Date, the Business has been conducted in the Ordinary Course of Business, except in connection with any process relating to the transactions contemplated herein, including entering into this Agreement, and there have not been any of the following:

(i) any Material Adverse Effect, individually or in the aggregate;

(ii) any material change in the salaries or other compensation payable or to become payable to, or any advance (excluding advances for ordinary business expenses) or loan to, any employee, or material change or material addition to, or material modification of, other benefits (including any bonus, profit-sharing, pension or other plan in which any of the employees participate) to which any of the employees may be entitled, other than in any such case (A) in the Ordinary Course of Business consistent with past practice, (B) as required by Law, or (C) as required by any collective bargaining agreement, if any;

(iii) any change by the Company in its method of accounting or keeping its books of account or accounting practices except as required by GAAP;

(iv) any sale, transfer or other disposition of any assets, properties or right of the Company, except in the Ordinary Course of Business.

(v) declared, set aside or paid a dividend or made any other distribution with respect to any class of capital stock of the Company;

(vi) made any change or amendment in the Company's organizational documents;

(vii) (A) issued or sold any securities of the Company; (B) acquired, directly or indirectly, by redemption or otherwise, any securities of the Company; or (C) granted or entered into any options, warrants, calls or commitments of any kind with respect to any securities of the Company;

(viii) except in the Ordinary Course of Business, incurred any material Liabilities or discharged or satisfied any Lien on any material asset of the Company, or paid any material Liabilities or failed to pay or discharge when due any material Liabilities of which the failure to pay or discharge has caused or will cause any material damage or risk of material loss to it or its assets or properties;

(ix) except in the Ordinary Course of Business, sold, assigned or transferred, or in any manner encumbered, any of its material assets or properties; or

(x) made or suffered any amendment or termination of, or caused a lapse of, any material Contract or any Permit to which it is a party or by which it is bound.

(i) *Undisclosed Liabilities*. The Company has no Liabilities of the type required to be reflected on a balance sheet of the Company prepared in accordance with GAAP, except for those (i) Liabilities reflected in or reserved against in the Financial Statements, (ii) Liabilities incurred after the Latest Balance Sheet Date in the Ordinary Course of Business, (iii) reflected in the Disclosure Schedules, or (iv) arising under or incurred in connection with this Agreement or the transactions contemplated hereby.

(j) *Tax Matters*.

(i) Except as set forth in Section 3.2(j) of the Disclosure Schedule, (A) the Company has filed all Tax Returns that it is required to file under applicable Laws, (B) all such Tax Returns were correct and complete in all respects and were prepared in substantial compliance with all applicable Laws, (C) all Taxes due and owing by the Company have been paid or reserved in the Financial Statements, (D) the Company is not currently the beneficiary of any extension of time within which to file any Tax Return, and (E) there are no Liens, other than Permitted Liens, on any of the assets of the Company that arose in connection with any failure to pay any Tax when due.

(ii) There is no dispute or claim concerning any Tax Liability of the Company either (A) claimed or raised by any taxing authority in writing or (B) as to which the Company has Knowledge. The Company has previously made available to the Buyer correct copies of all federal and state corporate income Tax Returns filed with respect to the Company for all taxable periods ended after January 1, 2007. Except as set forth in Section 3.2(j) of the Disclosure Schedule, none of such Tax Returns have been audited, and none currently are the subject of audit, and there are no examination reports or statements of deficiencies assessed against or agreed to by the Company for such taxable periods. Except as set forth in Section 3.2(j) of the Disclosure Schedule, the Company has not, during the past seven (7) years, been audited by the IRS, the Department of Revenue of the state in which it was organized or has engaged in business activities, or any other taxing authority (whether foreign or domestic with respect to any amount of Taxes).

(iii) The Company has not waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to any Tax assessment or deficiency.

(k) *Title and Condition of Properties.*

(i) Real Property. Section 3.2(k) of the Disclosure Schedule sets forth a true and correct list of all real property owned by the Company (collectively, the "**Owned Real Property**"). Except as set forth in Section 3.2(k) of the Disclosure Schedule, as of the Effective Date, to the Knowledge of the Company, the Company has, or will have at Closing, good and marketable title in and to all of the Owned Real Property, free and clear of all Liens, other than Permitted Liens. Section 3.2(k) of the Disclosure Schedule also sets forth a true and correct list of all real property that is leased, subleased, or licensed by, or for which a right to use or occupy has been granted to, the Company (each, a "**Leased Real Property**"). The Company has made available to the Buyer a correct and complete copy of each lease, sublease, license or other contract, as amended to date (each, a "**Lease**", and collectively, the "**Leases**") currently in effect under which any Leased Real Property is leased, subleased, or licensed by, or for which a right to use or occupy has been granted to the Company. The Company has a valid leasehold interest in the Leased Real Property. Except as set forth on Section 3.2(k) of the Disclosure Schedule, neither the Company nor, to the Knowledge of the Company, any other party to any Lease, is in material breach or default, and no event has occurred (including the failure to obtain any consent) which, with notice or lapse of time or both, would constitute a breach or default under or permit termination, modification, or acceleration of rents under, any Lease.

(ii) Condemnation. Except as set forth in Section 3.2(k)(ii) of the Disclosure Schedule, there is no condemnation, expropriation or other Legal Proceeding in eminent domain pending or, to the Knowledge of the Company, threatened, affecting any material parcel of Owned Real Property or Leased Real Property or any material portion thereof or interest therein.

(iii) Title to Assets. The Company owns good and marketable title, free and clear of all Liens, other than Permitted Liens, to all of the material personal property and material assets reflected on its Latest Balance Sheet or acquired by it after the Latest Balance Sheet Date, except for assets which have been sold or otherwise disposed of since the Latest Balance Sheet Date in the Ordinary Course of Business.

(iv) Supply of Utilities. Except as set forth on Section 3.2(k)(iv) of the Disclosure Schedule, there are no actions or Legal Proceedings pending or, to the Company's Knowledge, threatened against the Company, that would adversely affect the supply of electricity, gas, coal or sewer to either the Owned Real Property or the Leased Real Property.

(v) Access. Each parcel of the Owned Real Property and Leased Real Property has physical and, to the Company's Knowledge, legal vehicular or pedestrian access to and from public roadways as may be reasonably necessary to the operation of the Business. To the Company's Knowledge, no fact or condition exists which would result in the termination of (A) the current access from each parcel of the Owned Real Property and Leased Real Property, and (B) continued use, operation, maintenance, repair and replacement of all existing and currently committed water lines used by the Company in connection with the Business, except where such termination would not have, individually or in the aggregate, a Material Adverse Effect.

(vi) Condition and Sufficiency. Except as set forth on Section 3.2(k)(vi) of the Disclosure Schedule, the buildings, machinery, equipment, and other tangible assets the Company owns or leases are sufficient to carry on the Business as it is currently conducted. Each material tangible asset is in normal operating condition and reasonable repair (subject to normal wear and tear) and has been maintained in accordance with normal industry practice.

(l) *Intellectual Property*.

(i) Section 3.2(l)(i) of the Disclosure Schedule lists all registered Intellectual Property that is currently owned by or filed in the name of the Company, and all material unregistered Intellectual Property owned by the Company (collectively, the "**Company Intellectual Property**"). All such registrations are in full force and effect, and have not expired or been cancelled.

(ii) Section 3.2(l)(ii) of the Disclosure Schedule lists all (A) software developed for or by the Company and all of the third-party software used by the Company in the operation of the Business, other than off-the-shelf commercially available software applications that have not been specifically customized for the Business in any material respect, and (B) of the Company's permissions and licenses to use the Intellectual Property of other Persons (including software and computer programs other than off-the-shelf commercially available software applications that have not been specifically customized for the Business in any material respect).

(iii) The Company is not a party to any Legal Proceeding which constitutes a claim of infringement, violation or misappropriation for the operation of the Business by the Company of any Intellectual Property of any third party, and to the Knowledge of the Company, no such Legal Proceeding is threatened. To the Knowledge of the Company, the Business as presently conducted does not infringe or misappropriate the Intellectual Property of any third party. To the Knowledge of the Company, no third party is currently infringing upon, interfering with, misappropriating or otherwise conflicting with any item of Company Intellectual Property.

(iv) The Company has (A) taken all necessary action and has appropriate policies and internal procedures (as reasonably necessary and/or as required by applicable Law) to maintain and protect all of its Company Intellectual Property, including the personal information of any third parties; and (B) complied with all applicable Laws that pertain to privacy and confidentiality of any third-party information, except where such non-compliance would not have, individually or in the aggregate, a Material Adverse Effect.

(v) To the Company's Knowledge, the Data is (A) materially accurate, correct and complete, and (B) in compliance in all material respects with the Company's specifications for such Data.

(m) *Contracts*. Section 3.2(m) of the Disclosure Schedule lists each of the following Contracts to which the Company is a party (each a "**Material Contract**"):

(i) any material arrangement concerning a partnership or joint venture;

(ii) any arrangement that prohibits the Company from competing in any line of business or with any Person or in any geographical area;

(iii) any Contract or group of related Contracts with the same party (or group of related parties) (A) requiring payments after the Effective Date to or by the Company of more than $100,000 and (B) not terminable by the Company on ninety (90) days or less notice;

(iv) any Contract relating to the pending acquisition or disposition of any corporation, partnership or other business organization or division thereof or collection of assets constituting all or substantially all of a business or business unit (whether by merger, sale of stock, sale of assets or otherwise);

(v) any Contract under which the Company is, or may become, obligated to pay to any employee (A) any severance pay or (B) any bonus or other special compensation obligations which would become payable by reason of the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby;

(vi) (A) any employment agreement or consulting agreement with an employee or (B) any agreement with a consultant whose annual compensation exceeded $50,000 in 2010 or whose annual compensations is expected to exceed $50,000 in 2011;

(vii) any Contracts for the bulk or wholesale supply of water to or by the Company; or

(viii) any other arrangement or group of related arrangements that are material to the conduct of the Business.

The Company has made available to the Buyer a correct and complete copy of each Material Contract. With respect to each Material Contract: (A) it is a legal, valid, binding and enforceable obligation of the Company, subject to the Bankruptcy and Equity Exceptions; and (B) neither the Company nor, to its Knowledge, any other party to any Contract to which the Company is a party, is in material breach or default (including, with respect to any express or implied warranty), under any such Contract. The Company is not a party to any material oral Contract, license, sublicense, mortgage, purchase order, indenture, loan agreement, lease, sublease, agreement or instrument.

(n) *Litigation*. All pending Legal Proceedings involving the Company are set forth in Section 3.2(n) of the Disclosure Schedule. Except as set forth in Section 3.2(n) of the Disclosure Schedule, there is no Legal Proceeding pending or, to the Knowledge of the Company, threatened against the Company which, (i) if determined adversely would result in losses and expenses (including reasonable expenses of counsel) that would, individually or in the aggregate, be material to the Company, (ii) if determined adversely would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the ability of the Company to perform its obligations under this Agreement or the Ancillary Agreements to which it is a party, or (iii) seeks rescission of or seeks to enjoin the consummation of this Agreement or any of the transactions contemplated hereby.

(o) *Employees; Employment Matters*. Except as set forth on Section 3.2(o) of the Disclosure Schedule:

(i) the Company is not a party to or bound by any collective bargaining agreement, labor Contract, or other oral or written agreement or understanding with a labor organization or labor union and, to the Knowledge of the Company, no union organizing or decertification efforts are underway (whether or not now threatened). During the three (3) year period ending on the Closing Date, with respect to the Company, no claim has been filed with any Governmental Authority alleging that the Company has violated any Law related to employment or termination of employment, employment policies or practices, terms and conditions of employment, compensation, labor or employee relations, equal employment opportunity, and fair employment practices, whistle-blowing, retaliation, or employee safety or health nor, to the Knowledge of the Company, is any such claim now threatened. To the Knowledge of the Company, no executive or manager of the Company has given written notice to the Company of any present intention to terminate his or her employment, except for those directors and officers resigning pursuant to Section 2.5(a)(iv) herein;

(ii) copies of all currently applicable collective bargaining agreements have been made available to the Buyer; and

(iii) the Company's employees have not suffered an "employment loss" (as defined in the Worker Adjustment and Retraining Notification Act, as codified at 29 U.S.C. §§ 2102-2109, as amended from time to time (the "**WARN Act**")) within six (6) months prior to the Effective Date.

(p) *Employee Benefit Plans.*

(i) Section 3.2(p)(i) of the Disclosure Schedule (A) lists each Plan that the Seller or the Company maintains, to which the Seller or the Company contributes or has any obligation to contribute, or with respect to which the Company has any actual or potential Liability; and (B) states which, if any of the Plans provide or promise welfare benefits or retirement benefits to any employees or former employees of the Company.

(ii) Except as set forth in Section 3.2(p)(ii) of the Disclosure Schedule:

(A) each Plan is, in terms and operation, in compliance in all material respects with the Plan documents and all applicable Laws, or if not, would not result in Liability to the Company;

(B) there are no pending, unresolved or, to the Company's Knowledge, threatened private or governmental actions, claims or Legal Proceedings with respect to any Plan (other than claims in the ordinary course) which could result in any material Liability to the Company;

(C) all of the Plans covering Applicable Employees which are intended to be Tax-qualified have received a favorable determination or opinion letter from the IRS, as applicable, or a timely application for such letter is pending or will be timely made during the applicable IRS filing cycle and to the Company's Knowledge nothing material has occurred since the date of any previous determination that would adversely affect the qualified status of any such Plan;

(D) timely notice was provided to the Department of Labor of the existence of all Plans covering the Company's employees which are or were intended to be ERISA-exempt top hat plans in accordance with applicable ERISA regulations;

(E) all required reports and descriptions (including Form 5500 annual reports, summary annual reports and annual funding notices, and summary plan descriptions) have been timely filed (including filed with an extension or through a governmental compliance program) and/or distributed in accordance with the applicable requirements of ERISA and the Code with respect to each such Plan, or if not, would not result in material Liability to the Company;

(F) none of the Plans covering Applicable Employees are multiple employer plans or multiple employer welfare benefit arrangements;

(G) during the past six (6) years, the Company has not maintained, adopted, contributed or been required to contribute to, or otherwise participated in any "Multiemployer Plan" (as defined in Section 3(37) of ERISA) and has no actual or potential Liability attributable to any Multiemployer Plans;

(H) no Plan that is a "Pension Plan" (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA or Sections 412 or 430 of the Code is in at-risk status as defined under Section 430(i)(4) of the Code or has failed to make any required minimum contribution, as defined in Section 430 of the Code or Section 303 of ERISA and there has been no waived funding deficiency within the meaning of Section 412 of the Code or Section 303 of ERISA and the Company has no Liability with respect to any terminated Pension Plan;

(I) the consummation of the transactions contemplated herein will not, separately or together with any other event, entitle any employee, officer or director of the Company to severance pay or any other payment or compensation, or accelerate the time of payment or vesting of, or increase the amount of, compensation due to any such employee, officer or director;

(J) all Plans subject to Section 409A of the Code which cover any service provider to the Company are in documentary and operational compliance in all material respects with the requirements of Section 409A of the Code;

(K) except as otherwise required by a collective bargaining agreement, the benefits provided under each Plan covering Applicable Employees and former employees of the Company, including, but not limited to, any Plan providing welfare benefits to retirees, may, without liability, be amended, terminated or otherwise discontinued;

(L) there are no existing or pending workers' compensation claims with respect to any Applicable Employees; and

(M) copies of all current Plan documents covering the Applicable Employees have been made available to the Buyer, along with summary plan descriptions, the most recent Form 5500 for each of the Plans and the most recent favorable determination or opinion letter, where applicable.

(q) *Permits and Approvals; Drinking Water*.

(i) Section 3.2(q)(i) of the Disclosure Schedule lists all material governmental, regulatory and industry licenses, permits, certifications and approvals of any Governmental Authority necessary to or used in the Business as presently conducted (the "**Permits**") other than Permits under applicable Environmental Laws. All such listed Permits are in full force and effect except where the lack of any such Permit to be in full force or effect would not have, individually or in the aggregate, a Material Adverse Effect. There are no material violations by the Company of, or any claims or Legal Proceedings, pending or, to the Company's Knowledge, threatened, challenging the validity of or seeking to discontinue, any such Permits or alleging material violations of such Permits. Section 3.2(q)(i) of the Disclosure Schedule also lists all applications for Permits or Permit extensions pending before any Governmental Authority.

(ii) Except as set forth in Section 3.2(q)(ii) of the Disclosure Schedule, (A) the drinking water supplied by the Company to its customers is and has been in compliance in all material respects with all applicable federal and state primary drinking water standards, and (B) the Company has all rights necessary to extract and deliver water to its customers pursuant to existing agreements or applicable Law, and the Company has no reason to believe that any such rights will be lost, revoked or compromised or will not be satisfied.

(r) *Compliance with Laws; PUC*.

(i) The Company and its facilities have been and are in compliance in all material respects with all applicable Laws, and no written notice, claim, charge, complaint, action, suit, Legal Proceeding, investigation or hearing has been received by the Company, or, to the Knowledge of the Company, filed, commenced or threatened against the Company alleging any such violation. This Section 3.2(r)(i) shall not apply to Taxes which are exclusively addressed in Section 3.2(j).

(ii) Section 3.2(r)(i) of the Disclosure Schedule contains a true and complete list of each jurisdiction in which the Company is subject to regulation as a public utility or public service company (or similar designation) by any PUC. Except as set forth on Section 3.2(r)(ii) of the Disclosure Schedule, all material filings required to be made by the Company since January 1, 2007, under all applicable Laws of such jurisdictions related to the regulation of public utilities or public service company have been filed with the appropriate PUC or other Governmental Authority.

(s) *Brokers*. The Company has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or the Ancillary Agreements for which the Buyer could become liable or otherwise obligated.

(t) *Affiliate Transactions*. Except as set forth in Section 3.2(t) of the Disclosure Schedule, the Company is not currently a party to any material transaction with an Affiliate other than payments of compensation and expense reimbursement to the Company's directors and officers in the Ordinary Course of Business.

(u) *Environmental*. Except as set forth in Section 3.2(u) of the Disclosure Schedule, or as would not cause, individually or in the aggregate, a Material Adverse Effect:

(i) the Company is and has been at all times in compliance with all applicable Environmental Laws and is in possession of, and in compliance with, all Permits relating to Environmental Laws necessary or legally required to carry on and conduct the Business as presently conducted, and a complete list of such Permits is listed in Section 3.2(u) of the Disclosure Schedule, and all such Permits are in full force and effect and the Company has made timely application for renewals of all such Permits as required by applicable Law;

(ii) no written notice, demand, or claim has been received by or served on the Company, nor to the Knowledge of the Company, on any current or previous owner, manager or tenant of the Owned Real Property or Leased Real Property, from any Person claiming or asserting any violation of or potential Liability or Liability under any Environmental Laws, or demanding payment, contribution, indemnification, remedial action, removal action or any other action or inaction with respect to any actual or alleged environmental damage or injury to persons, property or natural resources;

(iii) the Company has not, nor to the Knowledge of the Company has any third party, spilled, discharged or Released Hazardous Materials on, at, about, under or from the Leased Real Property or Owned Real Property including any that has resulted or could result in any Liability under Environmental Laws;

(iv) the Company has made available to the Buyer copies of all environmental studies, reports, data and assessments or investigations, including "Phase I" and "Phase II" reports, related to the environmental condition or compliance status of the Leased Real Property and Owned Real Property, or other properties for which the Company may have Liability, which have been conducted by or on behalf of the Company or that are otherwise in the Company's possession or control (specifically excluding any environmental audits performed by the Seller), and a complete listing of all such materials made available is set forth in Section 3.2(u)(iv) of the Disclosure Schedule;

(v) the Company has not discharged or disposed of, or arranged for the disposal of, or Released any Hazardous Material, other than in conformity with Environmental Law, at any Owned Real Property or Leased Real Property, or, in connection with the Business, at any other facility, location, or other site;

(vi) the Company has not received any written notice or written request for information, notice of claim, demand or notification that it is or may be potentially responsible with respect to any investigation or Remedial Action relating to Hazardous Materials, and to the Company's Knowledge, the Company has not been designated a potentially responsible party for Remedial Action, in connection with any Owned Real Property or Leased Real Property, with respect to the Business, at any other facility, location, or other site;

(vii) except for such use or storage of Hazardous Material as is incidental to the conduct of the Business, which use and storage is or has been in compliance with Environmental Laws in all respects, and which use and storage has not caused any condition in violation of Environmental Laws or that requires Remedial Action, no Owned Real Property or Leased Real Property has been used by the Company for the storage, treatment, generation, processing, production or disposal of any Hazardous Material or as a landfill or other waste disposal site in violation of any Environmental Law;

(viii) underground storage tanks are not presently located on or under any Owned Real Property or Leased Real Property or, to the Company's Knowledge, in connection with the Business at any other facility, location or other site;

(ix) with the exception of any claim not yet served upon or otherwise asserted against the Company by a Person not a party to this Agreement, there are no pending or unresolved claims against the Company or the Business for investigatory costs, cleanup, removal, remedial or response costs, or natural resource damages arising out of any Releases or threat of Release of any Hazardous Material at any Owned Real Property or Leased Real Property or, with respect to the Business or at any other facility, location or other site;

(x) no polychlorinated biphenyls ("**PCBs**") or asbestos-containing materials are located at or in any Owned Real Property or Leased Real Property, or, to the Company's Knowledge, with respect to the Business at any other facility, location or other site, in violation of Environmental Laws or which require Remedial Action;

(xi) no assets of the Company have come to be located at any site that is within a designated study area or that is listed or formally proposed for listing under CERCLA or, to the Knowledge of the Company, under the Comprehensive Environmental Response Corporation and Liability Information System ("**CERCLIS**"); and

(xii) to the Knowledge of the Company (which, for purposes of this Section 3.2(u)(iii) only, shall include the actual knowledge of the individuals listed in the definition of "Knowledge of the Company" only, without any reasonable inquiry), and apart from any facts and circumstances covered solely by representations made in Section 3.2(u)(i)-(xi), there are no facts or circumstances relating to environmental matters concerning the Owned Real Property or the Leased Real Property or the Business that are reasonably likely to lead to the assertion by any third person of any environmental Liabilities in the future against the Company or the Buyer.

Except as set forth in this Section 3.2(u), no representations or warranties are being made with respect to Hazardous Materials or Environmental Laws.

(v) *Insurance*. The insurance policies maintained by the Company, or by the Seller for the benefit of the Company, with respect to their amounts and types of coverage, are reasonably adequate to protect the insured properties against the insured risks, subject to reasonable deductibles, and the risks insured against are normal and customary for the industry. All such policies are listed in Section 3.2(v) of the Disclosure Schedule, are in full force and effect, and no notice of cancellation, termination or non-renewal has been received with respect to any such policy. No insurance carrier has notified the Seller or the Company in writing that it has denied coverage for, or reserved the carrier's rights with respect to, any material claim submitted under any insurance policy.

(w) *Guaranties*. The Company is not a guarantor or otherwise liable for any Liability (including Indebtedness) of any other Person. There are no outstanding powers of attorney executed on behalf of the Company.

(x) *Solvency*. The Company has not (i) proposed a compromise or arrangement for the benefit of creditors generally, (ii) had any petition in bankruptcy filed against it, (iii) filed a voluntary petition in bankruptcy, (iv) taken any action to file a voluntary petition in bankruptcy, liquidation or dissolution, or (v) is otherwise been unable to pay its debts generally as they become due.

3.3 No Implied Representations or Warranties. Except for the representations and warranties contained in this Article III, neither the Seller nor the Company nor any other Person acting on behalf of the Seller or the Company, make any representation or warranty, express or implied. Without limiting the foregoing, neither the Seller nor the Company has made or makes any representation or warranty, express or implied, as to the condition, merchantability, suitability or fitness for any particular purpose of any water tanks, reservoirs, water works, plant and systems, purification and filtration systems, pumping stations, pumps, wells, mains, water pipes, hydrants, equipment, machinery, fixtures or improvements or any other assets of the Company.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE BUYER

4.1 Representations and Warranties Concerning the Buyer. As an inducement for the Seller to enter into this Agreement and to consummate the transactions contemplated hereby, the Buyer represents and warrants to the Seller as follows:

(a) *Organization*. The Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Ohio.

(b) *Authorization of Transaction*. The Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to perform its obligations hereunder and thereunder. This Agreement and each of the Ancillary Agreements, as applicable, to which the Buyer is a party have been or will be duly executed and delivered by the Buyer and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitute legal, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms, subject to the Bankruptcy and Equity Exceptions.

(c) *Non-Contravention*. The execution, delivery and performance of this Agreement and the Ancillary Agreements by the Buyer, and the consummation of the transactions contemplated hereby and thereby, do not and will not (i) violate or conflict in any way with any Law, (ii) violate or conflict in any way with any judgment, order, decree, stipulation, injunction, charge or other restriction of any Governmental Authority to which the Buyer is subject or any provision of its organizational documents, or (iii) conflict with, result in a breach of, constitute a default under (with or without notice or lapse of time, or both), result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under, any Contract to which the Buyer is a party or by which it is bound or to which any of its assets is subject.

(d) *Governmental Consents*. Except for (i) filings required by the HSR Act, (ii) the required approvals, consents, authorizations, permits, filings or notifications of any Governmental Authority as set forth in Section 4.1(d) of the Disclosure Schedule, or (iii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of the Buyer to consummate the Closing hereunder in accordance with this Agreement or to perform its obligations under this Agreement and the Ancillary Agreements, no authorization, consent, approval or other order of, declaration to, or filing with, any Governmental Authority by or on behalf of the Buyer is required for or in connection with the authorization, execution, delivery and performance by the Buyer of its obligations under this Agreement and the Ancillary Agreements.

(e) *Litigation*. There is no Legal Proceeding pending or, to the knowledge of the Buyer, threatened against the Buyer which (i) if determined adversely would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of the Buyer to perform its obligations under this Agreement or the Ancillary Agreements to which it is a party or (ii) seeks rescission of or seeks to enjoin the consummation of this Agreement or any of the transactions contemplated hereby.

(f) *Brokers*. The Buyer has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or the Ancillary Agreements for which the Seller could become liable or otherwise obligated.

4.2 No Additional Representations, etc. The Buyer acknowledges that the Seller, the Company, and their respective Affiliates, have not made nor shall they be deemed to have made, nor has the Buyer relied on, any representation, warranty, covenant or agreement, express or implied, with respect to the Company, the Business or the transactions contemplated by this Agreement, other than those expressly set forth in this Agreement.

ARTICLE V
COVENANTS OF THE PARTIES

5.1 Regulatory Compliance, Consents, etc.

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of the Buyer and the Seller shall use its reasonable best efforts to assist, consult with and cooperate with each other and any other parties in doing all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including using reasonable best efforts to accomplish the following: (i) the taking of all actions necessary to cause the conditions to the Closing to be satisfied as promptly as practicable, (ii) the obtaining of all actions, waivers, Permits, consents, approvals and authorizations from all third parties and all Governmental Authorities necessary or advisable to consummate, or in connection with, the transactions contemplated by this Agreement, (iii) the making of all necessary registrations and filings promptly with the appropriate Governmental Authorities, and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. Notwithstanding anything contained herein to the contrary, neither the Buyer nor any of its Affiliates shall be obligated to (i) consent to the divestiture of, or structure or conduct relief with respect to, the Company, the Business or the assets or properties of the Company or any assets, properties, business, division, product line or service line of the Buyer or any of its Affiliates, or (ii) contest, administratively or in court, any ruling, order or other action of any Governmental Authority or any other Person respecting the transactions contemplated by this Agreement.

(b) In furtherance (but not in limitation) of Section 5.1(a), the Buyer and the Seller shall each keep the other apprised of the status of matters relating to actions, waivers, Permits, consents, approvals, authorizations, applications, filings and completion of the transactions contemplated by this Agreement and the Ancillary Agreements. Subject to applicable Law, the Buyer and the Seller shall have the right to review in advance, and, to the extent practicable, each shall consult the other on, all of the information relating to the Buyer, the Seller and the Company, as the case may be, and any of their respective Affiliates, that appear in any filing made with, or written materials submitted to, any third party or any Governmental Authority in connection with the transactions contemplated by this Agreement and the Ancillary Agreements. The Buyer and the Seller shall promptly (but in no event later than (i) with respect to any required applications, notices or other filings under the HSR Act, thirty (30) days after the Effective Date, or (ii) with respect to any required applications, notices or other filings under any other applicable Law, sixty (60) days after the Effective Date) make all filings and submissions with Governmental Authorities under applicable Law that are necessary or advisable to consummate, or in connection with, the transactions contemplated by this Agreement and the Ancillary Agreements. The Seller, on the one hand, and the Buyer, on the other hand, shall each, in connection with the efforts referenced in this Section 5.1 to obtain all requisite Permits for the transactions contemplated by this Agreement under applicable Law, use its reasonable best efforts to (i) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any Legal Proceeding initiated by a private party, in each case, regarding any such transaction; (ii) keep the other Party informed of any material communication received by such Party from, or given by such Party to, any PUC, the Federal Trade Commission (the "**FTC**"), the Antitrust Division of the Department of Justice (the "**DOJ**"), or any other Governmental Authority and of any communication received or given in connection with any Legal Proceeding by a private party, in each case regarding any such transaction; and (iii) subject to applicable Law, permit the other Party to review, in advance, any written communication given by it to or received from, and consult with each other in advance of any meeting or conference with, any PUC, the FTC, the DOJ, or any other Governmental Authority or, in connection with any Legal Proceeding by a private party regarding any such transaction, any other Person, and to the extent permitted by any such PUC, the FTC, the DOJ, or other applicable Governmental Authority or other Person, give the other Party the opportunity to attend and participate in such meetings and conferences subject to applicable Law.

5.2 Conduct of Business. From the Effective Date through the earlier of the Closing Date or the termination of this Agreement pursuant to Article VIII (the "**Pre-Closing Period**"), unless the Buyer shall provide its prior written consent (which shall not be unreasonably withheld, conditioned or delayed), the Company shall, and the Seller shall cause the Company to, (i) conduct the Business only in the Ordinary Course of Business, (ii) use commercially reasonable efforts to preserve the Business, and (iii) satisfy its Liabilities in accordance with their terms other than in the Ordinary Course of Business. Except as otherwise set forth on Section 5.2 of the Disclosure Schedule, or as otherwise expressly contemplated by this Agreement, from the Effective Date and prior to the Closing Date, the Company shall not, and the Seller shall cause the Company not to, without the prior written consent of the Buyer, which shall not be unreasonably withheld, conditioned or delayed:

(a) enter into any employment Contract or commitment to hire, or terminate the employment or service of, any executive officer or senior management employee;

(b) increase the base salary or bonuses payable on or after the Effective Date, or to become payable on or after the Effective Date, to any director, executive officer or senior management employee of the Company except for increases in the Ordinary Course of Business;

(c) amend the Company's articles of incorporation, by-laws or other organizational documents;

(d) other than in connection with its obligations pursuant to Section 5.7(a), declare, set aside for payment or pay any dividend or make any other payment or distribution on or in respect of any of the Stock;

(e) other than in connection with its obligations pursuant to Section 5.7(a), redeem, purchase, retire or otherwise acquire, directly or indirectly, any of the Stock;

(f) cancel or waive any debt, claim or other right, other than in the Ordinary Course of Business;

(g) dispose of or revalue any material assets set forth on the Latest Balance Sheet;

(h) settle any Legal Proceeding other than in the Ordinary Course of Business;

(i) enter into any Contract relating to (i) the purchase of any capital stock of or interest in any Person, (ii) the purchase of assets constituting a business or (iii) any merger, consolidation or other business combination;

(j) enter into or amend any Contract relating to transactions with any Affiliates of the Company or with the Seller or its Affiliates (other than the Company);

(k) terminate, cancel, modify or amend in any material respect or take or fail to take any action which would entitle any party (other than the Company that is a party thereto) to any Material Contract to terminate or cancel or modify or amend in any material respect any Material Contract;

(l) incur any (i) Indebtedness, except for Intercompany Indebtedness or (ii) Liens, except for Permitted Liens;

(m) make any capital expenditure or series of related capital expenditures (net of allowances or contributions) that is not contemplated by Exhibit B or pursuant to any capital expenditure plan for 2012 pursuant to Section 5.10, other than reasonable capital expenditures made as a result of a casualty event or other emergency;

(n) give or agree to give or become a party to or be bound by any guarantee, surety or indemnity in respect of Indebtedness or other obligations or Liabilities of any other Person;

(o) issue, sell, grant or otherwise dispose of any equity securities of the Company or grant any warrants, options or other rights to purchase or obtain (including upon conversion, exchange or exercise) any equity securities of the Company or issue any security convertible into its shares, grant any registration rights or otherwise make any change to its authorized or issued share capital;

(p) make any change in its accounting principles, policies, practices or methods other than as required by GAAP or Law;

(q) make any filing with any Governmental Authority other than in the Ordinary Course of Business; or

(r) enter into any Contract to do any of the actions referred to in this Section 5.2.

5.3 Access to Books and Records.

(a) During the Pre-Closing Period, the Seller and the Company shall permit the Buyer and its authorized Representatives to have reasonable access upon reasonable prior written notice to (i) the Company's properties to perform customary Phase I environmental studies (which in no event will involve any (A) sampling or analysis of any environmental media and neither the Buyer nor any of its Affiliates or Representatives may perform any Phase II environmental testing, test borings or other physical samplings of any of such properties without the prior written consent of the Seller, which consent the Seller may withhold in its sole and absolute discretion (provided, that the Seller may not unreasonably withhold, condition or delay its consent to the Buyer's request to perform Phase II environmental testing if the request is with respect to a recognized environmental condition (as defined by ASTM Standard E1527-05) that is identified in a Phase I environmental report and the environmental consultant that performed such Phase I investigation affirmatively recommends in such report that sampling be conducted in response to the recognized environmental condition; provided, further, that such sampling shall be limited to soil sampling intended to ascertain if the subject Owned Real Property or Leased Real Property is contaminated with Hazardous Materials in concentrations which do not meet applicable standards for soil quality and thereby threaten or cause contamination of groundwater at such property), or (B) interviews of employees or consultants of the Company with respect to environmental matters other than as required by industry standards in connection with a customary Phase I environmental study), and (ii) all of the Company's assets, properties, books, accounting, financial and statistical records (including auditor work papers and Tax records), Contracts, employees, independent contractors, customers, vendors, distributors and manufacturers; provided that such access shall be provided in a manner that will not unduly disrupt the Business. The Seller and the Company shall furnish such financial, operating and other data and information relating to the Business as the Buyer may reasonably request. The Seller shall confer with the Buyer on a regular basis with respect to matters relevant to the purchase and sale of the Stock and the integration of the operations of the Company with those of the Buyer and shall provide the Buyer with such financial information prepared by management in the Ordinary Course of Business consistent with past practices as may be reasonably requested by the Buyer. All information exchanged pursuant to this Section 5.3 shall be subject to the Non-Disclosure Agreement dated April 12, 2011, between the Buyer and the Seller (the "**Non-Disclosure Agreement**").

(b) For a period of five (5) years after the Closing Date, the Buyer shall cause the Company to provide the Seller (or, if applicable, a Person designated by the Seller in a notice to the Buyer in accordance with Section 10.7 (the "**Seller Designee**")) and each of its authorized Representatives with reasonable access to all of the books and records of the Company to the extent that such access may reasonably be required by such parties in connection with matters relating to or affected by the operations of the Company prior to the Closing Date. Such access shall be afforded by the Company upon receipt of reasonable advance notice and during normal business hours and, to the extent such information is confidential, shall be subject to an obligation of confidentiality by the Seller Designee. If any company shall desire to dispose of any such books and records prior to the expiration of such five (5) year period other than in accordance with the Company's record retention policy then in effect, the Company shall, prior to such disposition, notify the Seller and give the Seller (or, if applicable, the Seller Designee) and its authorized Representatives a reasonable opportunity, at the Seller's or the Seller Designee's expense, to segregate and remove such books and records as such parties may select. Notwithstanding the foregoing, neither the Buyer nor the Company shall be required to provide any information which the Buyer reasonably believes it or the Company are prohibited from providing to the Seller by reason of applicable Law, which constitutes or allows access to information protected by the attorney/client privilege.

5.4 Seller Marks. The Buyer shall (i) as promptly as practicable after the Closing, but in no event later than thirty (30) days after the Closing Date, cease using any names, marks, trade names, trademarks and corporate symbols and logos of the Company or the Seller and any word or expression similar thereto or constituting an abbreviation or extension thereof (collectively and together with all other names, marks, trade names, trademarks and corporate symbols and logos owned by the Seller or any of its Affiliates, the "**Seller Marks**"), and (ii) amend the Company's charter documents to remove any use or reference to any of the Seller Marks. Thereafter, the Buyer shall not use any of the Seller Marks or any name or term confusingly similar to any of the Seller Marks in connection with the conduct of its or any of its Affiliates' businesses or operations. In the event that the Buyer breaches this Section 5.4, the Seller shall be entitled to specific performance and to injunctive relief, as well as any other remedies at law or in equity available to the Seller.

5.5 Employees, Pensions and Benefits.

(a) *No Participation After Closing Date*. The Seller shall take such action as necessary to ensure that the Company is no longer a participating employer eligible to participate in any of the Plans on or after the Closing Date and that all employees of the Company (the "**Applicable Employees**") cease to participate in the Plans on and after the Closing Date, except to the extent they, or their dependents, beneficiaries or alternate payees are entitled to receive a previously accrued benefit under a Plan not transferred to the Buyer under this Agreement.

(b) *COBRA Benefits*. On and after the Closing Date, the Buyer and the Company shall have responsibility for all COBRA obligations related to the Applicable Employees who are employed by the Company on and after the Closing Date and their qualified beneficiaries that arise as a result of a COBRA qualifying event occurring after the Closing Date. The Seller shall have responsibility for all COBRA obligations for all individuals who are "M&A qualified beneficiaries." An M&A qualified beneficiary, as defined in Treasury Regulation Section 54.4980B-9, Q&A-4(b), is a qualified beneficiary for COBRA purposes whose qualifying event occurred prior to or in connection with the transaction contemplated by this Agreement and who is, or whose qualifying event occurred in connection with, a covered employee whose last employment prior to the qualifying event was with the Company.

(c) *No Right to Continued Employment*. All employees, active or inactive, of the Company on the day before the Closing Date shall continue to be employees of the Company as of and after the Closing Date. Notwithstanding the foregoing, nothing contained in this Section 5.5, express or implied, is intended to confer upon any Person not a party hereto any right, benefit or remedy of any nature whatsoever, including any right to employment or continued employment for any period of time by reason of this Agreement, or any right to a particular term or condition of employment or benefit; provided, however, that Applicable Employees who are represented for the purpose of collective bargaining as of the Closing Date shall continue to be subject to the terms and conditions set forth in any applicable collective bargaining agreement after the Closing Date. Notwithstanding anything to the contrary contained in this Agreement, no provision of this Agreement is intended to, or does, constitute the establishment of, or an amendment to, any Plan or any employee benefit plan of the Buyer or its Affiliates.

(d) *Buyer Obligation for Employment Terms and Benefits.*

(i) Employment Terms. With respect to any Applicable Employee covered by a collective bargaining agreement, the Buyer shall cause the Company to fulfill its obligations with regard to compensation and other terms and conditions of employment set forth in the applicable collective bargaining agreements listed on Section 5.5(d)(i) of the Disclosure Schedule and shall have no other obligations other than those set forth in such collective bargaining agreements.

(ii) Benefits. The Applicable Employees as of the Closing Date who are employed by the Company and who are not covered by a collective bargaining agreement shall, immediately following the Closing Date, be provided with the same benefits as an employee of Aqua Ohio, Inc. who was hired after March 31, 2003. Neither the foregoing nor any other provision of this Agreement is intended to, and shall not, limit or restrict the right of the Company, the Buyer or any affiliate of Buyer sponsoring a plan in which the Company's employees participate to amend such plan with respect to the benefits provided thereunder or to terminate such plan. The Buyer shall cause the Company to fulfill its obligations with regard to benefits set forth in the applicable collective bargaining agreements listed on Section 5.5(d)(i) of the Disclosure Schedule in accordance with such agreements.

(iii) Prior Service and Other Credits. With respect to any employee benefit plan, program or policy that is made available by the Buyer or the Company to the Applicable Employees on and after the Closing Date (the "**Buyer Plans**"): (A) all periods of service with the Company or any ERISA Affiliate, or any predecessor entity of either, by any such employee prior to the Closing Date shall be credited for eligibility, participation, and vesting purposes, and to the extent required by a collective bargaining agreement, for benefit calculation purposes, under the Buyer Plans, (B) with respect to any Buyer Plans which are welfare plans as defined in Section 3.1 of ERISA to which such employee may become eligible, the Buyer shall cause such Buyer Plans to provide credit for the year in which the Closing occurs for any co-payments, deductibles, maximum out-of-pocket payments by such employees, and to waive all pre-existing condition exclusions and waiting periods, to the extent permitted by the insurance carriers for Buyer Plans without additional cost, and (C) with respect to any Buyer Plan to which such employee may become eligible and which provides flexible spending accounts, the Buyer shall cause such Buyer Plan to provide credit for the year in which the Closing occurs for the employee's flexible spending account balances under Seller's Plan. The Seller shall provide Buyer with complete and accurate records of such flexible spending account balances as of the Closing Date no later than the fifth (5^{th}) Business Day following the Closing Date. The Buyer shall cause the Company to recognize and assume Liability for vacation days and sick banks previously accrued and reserved for by the Company as of the Closing Date.

(e) *Transfer of Plan Obligations.*

(i) Pension Plan.

(A) On the Closing Date or within one hundred twenty (120) days thereafter, the Seller shall cause to be transferred in cash or in kind, as determined by the Buyer, from the Seller's Pension Plan to an existing defined benefit plan designated by the Buyer (the **"Buyer's Pension Plan"**), that portion of assets and liabilities of the Seller's Pension Plan attributable to the accrued benefits of those participants in Seller's Pension Plan who are active employees or former employees of the Company or are beneficiaries or alternate payees of such active or former employees of the Company (referred to jointly herein as the "affected participants"). The amount of such assets and liabilities shall be determined in accordance with Section 414(l) of the Code and Section 4044 of ERISA (without regard to any de minimis rules) as certified by the actuaries for the Seller's Pension Plan as of the date as of which the assets are transferred. The Buyer's Pension Plan shall maintain the transferred benefits attributable to affected participants who are not covered by a collective bargaining agreement as frozen accrued benefits. An affected participant who is covered by a collective bargaining agreement and who was actively participating in, and accruing a benefit under, the Seller's Pension Plan on the day prior to the Closing Date shall continue to accrue a benefit on and after the Closing Date to the extent required by the applicable collective bargaining agreement. The Buyer shall cause the Buyer's Pension Plan to be amended to provide provisions identical to those under the Seller's Pension Plan that apply to the affected participants with the exception of any provisions which would provide for any further benefit accrual for affected participants who are not covered by a collective bargaining agreement. The foregoing, however, is not intended to, and shall not, limit or restrict the right of the Buyer or any affiliate of Buyer which is the plan sponsor of the Buyer's Pension Plan to amend or terminate the Buyer's Pension Plan. At least fifteen (15) days prior to the Closing Date, the Seller shall provide, or shall cause the Company to provide, a notice (i) to each affected participant who is not covered by a collective bargaining agreement regarding the cessation of benefit accruals as of the Closing Date in accordance with Section 4980F of the Code and the regulations thereunder and the transfer of his or her frozen accrued benefit to the Buyer's Pension Plan following the Closing Date and (ii) to each affected participant who is covered by a collective bargaining agreement regarding the cessation of benefit accruals as of the Closing Date under the Seller's Pension Plan in accordance with Section 4980F of the Code and the regulations thereunder and the transfer of his or her accrued benefit to, and the continuation of accruals under, the Buyer's Pension Plan following the Closing Date. The establishment or amendment of the Buyer's Pension Plan and transfer of assets and Liabilities hereunder are subject to all applicable notice requirements and required governmental approvals, if any, including without limitation, the filing by both the Buyer and the Seller of Form 5310-A at least thirty (30) days prior to the transfer. On and after the date as of which the assets are transferred, the Seller shall not retain any further Liability with respect to any contribution obligations or Liability for benefits under the Seller's Pension Plan with respect to the affected participants, regardless of the funded status of the Seller's Pension Plan or the Buyer's Pension Plan. For purposes of clarification and not of limitation, the Seller's obligations to the Seller's Pension Plan are limited to funding obligations due on or prior to the Closing Date. The pension asset transfer from the Seller's Pension Plan to the Buyer's Pension Plan based on ERISA requirements for affected participants (as set forth in this Section 5.5(e)(i)(A)) calculated as of the Closing Date will be adjusted to the actual transfer date by interest based on the actual investment return of the Seller's pension plan trust and any benefit payments made by Seller to affected participants. The investment return will be determined using the most recently available trust statements and using index returns for the various asset classes and the Seller actual asset allocation at the beginning of the asset transfer month, if necessary, for any partial month returns where statements are not readily available.

(B) To effectuate such transfer, the Buyer shall deliver to the Seller as soon as practicable, but in no event later than ninety (90) days after the Closing Date, (i) a copy of the Buyer's Pension Plan and any amendment necessary to effectuate the receipt of the transfer of the assets and assumption of benefit Liabilities attributable to the accrued benefits of participants; (ii) a copy of the trust agreement for the Buyer's Pension Plan; (iii) the most recent favorable determination letter from the IRS with respect to the Buyer's Pension Plan; and (iv) an opinion from the Buyer's legal counsel reasonably acceptable to the Seller that, to the best knowledge of the Buyer, there is no reason to believe that the Buyer's Pension Plan is not a qualified plan under Section 401(a) of the Code and that the transfer of assets and assumption of benefit Liabilities will not jeopardize the qualified status of the Buyer's Pension Plan. The Seller shall deliver to the Buyer as soon as practicable, but in no event later than ninety (90) days after the Closing Date, an opinion from the Seller's legal counsel reasonably acceptable to the Buyer that, to the best knowledge of the Seller, there is no reason to believe that the Seller's Pension Plan is not a qualified plan under Section 401(a) of the Code and that the transfer of assets and benefit Liabilities will not jeopardize the qualified status of the Seller's Pension Plan. The responsibility of administration of the Buyer's Pension Plan shall be the responsibility of the Buyer as of the date of transfer.

(ii) Disability. The Seller shall retain liability for long-term disability benefits payable to Applicable Employees who as of the Closing Date are receiving long-term disability benefits or who as of the Closing Date are eligible to receive, or following the expiration of any applicable elimination period, will be eligible to receive long-term disability benefits. The Seller shall be liable for payment of all sick leave, short-term disability and workers' compensation claims payable to an Applicable Employee through the Closing Date, and the Buyer shall be responsible thereafter. The Buyer agrees to honor the reemployment rights of Applicable Employees absent from employment on the Closing Date due to sick leave, short- or long-term disability or workers' compensation. The Seller shall promptly inform Buyer, but in any event within five (5) Business Days, of any workers' compensation claim that is made between the Effective Date and the Closing Date.

(iii) Savings Plan. The Seller shall retain the Savings Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries (the "**Savings Plan**"), and Applicable Employees shall be entitled to a distribution from the Savings Plan after the Closing Date to the extent permitted by the Savings Plan and applicable Law.

(iv) Retiree Welfare Plan.

(A) Retirees. The Seller shall retain all liabilities with respect to retirees covered under its American Water Works Company, Inc. Retiree Welfare Plan (the " **Seller Retiree Welfare Plan**") on the Closing Date and with respect to the post-retirement medical and life insurance benefits to be provided to the Applicable Employee listed on Section 5.5(e)(iv)(A) of the Disclosure Schedule (the "**RWE Promise Employee**"). The Buyer agrees that for a period of two years following the Closing Date the Company, the Buyer and any affiliate of the Buyer shall not hire a former employee of the Company who retired as an eligible retiree for purposes of the Seller Retiree Welfare Plan after the date of this Agreement and prior to the Closing Date. In the event such retiree is hired by the Company, the Buyer or any affiliate of the Buyer during such two year period following the Closing Date, the Buyer shall pay the Seller $100,000 for each such retiree hired.

(B) Collectively Bargained Employees. On the Closing Date or within one hundred twenty (120) days thereafter, the Seller shall cause to be transferred in cash from the trusts maintained pursuant to Section 501(c)(9) of the Code (the "**Seller's VEBAs**") that apply to the Applicable Employees employed by the Company on the Closing Date who are covered by a collective bargaining agreement to the VEBA which funds the Retiree Medical and Life Insurance Plan for Consumers Water Employees, the "**Allocable VEBA Assets**". The Allocable VEBA Assets shall equal the Accumulated Post-Retirement Benefit Obligation (the "**APBO**") for the employees of the Company covered by a collective bargaining agreement as a percentage of the APBO for the entire Seller Retiree Welfare Plan multiplied by the total aggregate fair market value of the Seller's VEBAs as of the last day of the month prior to the Closing Date, adjusted for interest at LIBOR and benefit payments and contributions through the Closing Date. The APBO for purposes of the calculation shall be the APBO calculated as of the most recent fiscal year end. The total aggregate fair market value of the Seller's VEBAs shall be further adjusted to include any assets transferred from the Seller's VEBAs, or exclude any assets transferred to the Seller's VEBAs, between fiscal year end and the Closing Date for purposes of a transaction separate from this Agreement. The Allocable VEBA Assets will be calculated as of the Closing Date by actuaries for the Seller Retiree Welfare Plan.

(C) Non-Bargained Employees. Prior to the Closing Date, the Seller will terminate eligibility for benefits under the Seller Retiree Welfare Plan of the Applicable Employees employed on the Closing Date who are not covered by a collective bargaining agreement, other than the RWE Promise Employee. The Seller agrees to use the retained assets under the Seller's VEBAs allocable to these employees, which shall be determined in the same manner as provided under (B) above, only for retiree medical benefits for employees and retirees of the Company.

(D) Neither the foregoing nor any other provision of this Agreement is intended to, and shall not, limit or restrict the right of the Seller or any affiliate of the Seller sponsoring a plan providing for retiree medical coverage to amend such plan with respect to the benefits provided thereunder or to terminate such plan except as may otherwise be required by any applicable collective bargaining agreement.

(v) Nonqualified Plans. Obligations with respect to the Applicable Employees who participate in the following nonqualified plans shall remain with the Seller: (A) the American Water Works Company, Inc. and its Designated Subsidiaries Nonqualified Employee Stock Purchase Plan, (B) the American Water Works Company, Inc. Executive Retirement Plan, (C) the American Water Works Company, Inc. 2007 Omnibus Equity Compensation Plan, (D) the Annual Incentive Plan, and (E) the Nonqualified Savings and Deferred Compensation Plan for Employees of American Water Works Company, Inc. and its Designated Subsidiaries (collectively the "**Nonqualified Plans**"). Benefits under the Nonqualified Plans shall be determined in accordance with the terms of the Plans and, to the extent applicable, under the terms of any stock option grant, restricted stock unit grant, performance stock unit grant or other equity award or deferral agreement made to or with such employee prior to the Closing Date.

(vi) Cooperation. Following the Effective Date, the Seller and the Buyer shall reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 5.5, including exchanging information and data relating to employee benefits, unless such exchange of information and data would violate applicable Law.

5.6 Release of Support Obligations.

(a) The Buyer recognizes that the Seller and its Affiliates have provided guarantees or other credit support to the Company, all of which that are outstanding as of the Effective Date are set forth on Section 5.6 of the Disclosure Schedule (such support obligations contained in Section 5.6 of the Disclosure Schedule, as modified or replaced from time to time in the Ordinary Course of Business, are hereinafter referred to as "**Support Obligations**").

(b) Prior to the Closing, the Buyer and the Seller shall cooperate, and each shall use its commercially reasonable efforts to, effect the full and unconditional release, effective as of the Closing Date, of the Seller and its Affiliates (other than the Company) from all Support Obligations, and in the case of the Buyer, by (among other things):

(i) furnishing a letter of credit to replace each existing letter of credit that is a Support Obligation containing terms and conditions that are substantially similar to the terms and conditions of such existing letter of credit and from lending institutions that have a credit rating commensurate with or better than that of lending institutions for such existing letter of credit;

(ii) instituting an escrow arrangement to replace each existing escrow arrangement that is a Support Obligation with terms reasonably acceptable to the counterparty of such existing escrow arrangement;

(iii) furnishing a guaranty to replace each existing guaranty that is a Support Obligation, which replacement guaranty is issued by a Person having a credit rating at least equal to "investment grade" and containing terms and conditions that are substantially similar to the terms and conditions of such existing guaranty;

(iv) posting a surety or performance bond to replace each existing surety or performance bond that is a Support Obligation, which replacement surety or performance bond is issued by a Person having a net worth and credit rating at least equal to those of the issuer of such existing surety or performance bond, and containing terms and conditions that are substantially similar to the terms and conditions of such existing surety or performance bond; or

(v) replacing any other security agreement or arrangement on substantially similar terms and conditions to the existing security agreement or arrangement that is a Support Obligation.

(c) The Buyer shall cause the beneficiary or beneficiaries of such Support Obligations to (i) remit any cash to the Seller or one of its Affiliates, as applicable, held under any escrow arrangement that is a Support Obligation promptly following the replacement of such escrow arrangement pursuant to Section 5.6(b)(ii), and (ii) terminate, surrender and redeliver to the Seller, one of its Affiliates or the Seller Designee each original copy of each original guaranty, letter of credit or other instrument constituting or evidencing such Support Obligations.

(d) If the Buyer and the Seller are not successful, following the use of commercially reasonable efforts, in obtaining the complete and unconditional release of the Seller and its Affiliates (other than the Company) from any Support Obligations by the Closing Date (each such unreleased Support Obligation, until such time as such Support Obligation is released in accordance with Section 5.6(d)(i), a "**Continuing Support Obligation**"), then:

(i) from and after the Closing Date, the Buyer and the Seller shall continue to cooperate, and each shall continue to use its commercially reasonable efforts, to obtain promptly the full and unconditional release of the Seller and its Affiliates from each Continuing Support Obligation;

(ii) the Buyer shall indemnify the Seller and its Affiliates from and against any Liabilities, losses and reasonable costs or expenses incurred by the Seller and its Affiliates from and after the Closing Date in connection with each Continuing Support Obligation (including any demand or draw upon, or withdrawal from, any Continuing Support Obligation); and

(iii) the Buyer shall not, and shall cause its Affiliates, including in all events the Company, not to, effect any amendments or modifications or any other changes to the Contracts or obligations to which any of the Continuing Support Obligations relate, or to otherwise take any action that could increase, extend or accelerate the Liability of the Seller or any of its Affiliates under any Continuing Support Obligation, without the Seller's prior written consent, which, subject to the application of the provisions of this Section 5.6(d) to any such increase, extension or acceleration, shall not be unreasonably withheld or delayed.

5.7 Certain Balance Sheet Matters. On or prior to the Closing Date, the Seller shall:

(a) cause all Intercompany Debt to be settled or cancelled;

(b) take all necessary actions such that any IT assets or other assets on the books of the Company that are held by the Seller or any of its Affiliates (other than the Company) shall not be set forth on the balance sheet of the Company as of the Closing Date consistent with the adjustments to the balance sheet of the Company with respect to such assets as reflected in Exhibit A; and

(c) redeem all of the shares of preferred stock of the Company listed on Section 3.2(d) of the Disclosure Schedule.

5.8 Termination of Certain Services and Contracts; Transition Services Agreement.

(a) Except as contemplated by this Agreement or as set forth on Section 5.8(a) of the Disclosure Schedule, prior to the Closing, the Seller shall take such actions as may be necessary to terminate, sever, or assign to the Seller (in each case with appropriate mutual releases) effective upon or prior the Closing, all Contracts and services between the Company, on the one hand, and the Seller or any of its Affiliates (other than the Company), on the other hand, including the termination or severance of Tax services, treasury and finance services, legal services and banking services (to include the severance of any centralized clearance accounts) (collectively such Contracts, the "**Terminated Contracts**"). On and after the Closing Date, none of the Buyer, the Company or any of their Affiliates shall have any obligations or Liabilities arising out of or pursuant to any Terminated Contract. This Section 5.8(a) shall not apply to Intercompany Debt, which is addressed in Section 5.7(a).

(b) If, following the activities of the transition team pursuant to Section 5.10, the Buyer reasonably determines that transition services will be required after the Closing, the Parties will agree upon a list of reasonable transition services to be provided by the Seller to the Buyer and the Company, which services shall be provided at reasonable rates (which rates shall not exceed 100% of the Seller's, or its Affiliate's, cost of providing such services) as allocated in accordance with the methodologies used for such allocations by the Seller and its Affiliates in accordance with past practice, and in accordance with the terms and conditions to be set forth in a Transition Services Agreement (such agreement, the "**Transition Services Agreement**"), the form and substance of which shall be reasonably satisfactory to the Buyer and the Seller. The Parties shall cooperate in good faith during the period between the Effective Date and the Closing Date in order to minimize, to the extent possible, the period of time following the Closing Date that the Buyer and the Company will require services to be provided under the Transition Services Agreement.

5.9 No Solicitations. The Seller and the Company will not take, nor will they permit any of their Affiliates (or authorize or permit any investment banker, financial advisor, attorney, accountant or other Person retained by or acting for or on behalf of the Seller, the Company or any of their Affiliates) to take, directly or indirectly, any action to initiate, assist, solicit, receive, negotiate, encourage, facilitate, accept, or approve, or enter into (i) any Contract with any Person or group (other than the Buyer and its Affiliates), or (ii) any submission of, or any offer, inquiry or proposal from, any Person (A) to participate in any negotiations with or to reach any agreement or understanding (whether or not such agreement or understanding is absolute, revocable, contingent or conditional) for, or otherwise attempt to consummate, the sale of the Company or its assets or the Business (or any part thereof) to any Person other than the Buyer or its Affiliates, or (B) to furnish or cause to be furnished any information with respect to the Company or the Business to any Person who the Seller or any of its Affiliates (or any such Person acting for or on their behalf) knows or has reason to believe is in the process of considering any acquisition of all or any part of the Company or its assets or the Business. The Seller shall immediately cease, and shall cause the Company to immediately cease, any and all existing activities, discussions or negotiations with any parties with respect to any of the foregoing. In addition, the Seller and the Company will not, and will not permit their respective Representatives, investment bankers, agents and Affiliates of any of the foregoing to, directly or indirectly, make or authorize any statement, recommendation or solicitation in support of any proposal for the acquisition of all or any part of the Company or its assets or the Business made by any Person or group (other than the Buyer or its Affiliates). If the Seller or any of its Affiliates (or any such Person acting for or on their behalf) receives from any Person any offer, inquiry or informational request referred to above, the Seller shall (i) promptly advise such Person, by written notice, of the terms of this Section 5.9, and (ii) promptly, orally and in writing, advise the Buyer of such offer, inquiry or request and deliver a copy of such notice to the Buyer.

5.10 Transition Team. Within fifteen (15) days after the Effective Date, the Seller shall deliver to the Buyer a list of its proposed Representatives to be appointed to a joint transition team. The Buyer will appoint its Representatives to such team within fifteen (15) days after receipt of the Seller's list. Such joint transition team will be responsible for preparing as soon as reasonably practicable after the Effective Date, and timely implementing, a transition plan that will identify and describe substantially all of the various transition activities that the Parties will cause to occur before the Closing, specifically including the extraction of the Data from the Seller's systems. In addition, the Seller shall keep the joint transition team updated on material matters relating to the operation of the Business. If the Closing does not occur prior to January 1, 2012, then the joint transition team shall develop, subject to the reasonable approval of the Buyer and the Seller, a capital expenditure plan for the Business for the 2012 calendar year; provided, that if the Buyer and the Seller cannot agree on such 2012 capital expenditure plan, then the capital expenditure plan for 2011 attached hereto as Exhibit B shall remain in place subject to revisions and increases thereto required or necessary in the Ordinary Course of Business.

5.11 Non-Solicitation of Employees and Suppliers. For a period of three (3) years following the Closing Date, none of the Seller, its subsidiaries, or any of their respective officers, employees or agents (collectively, the "**Restricted Parties**") shall, directly or indirectly, (a) solicit for employment, or hire, any employee of the Company; provided that this Section 5.11 shall not apply to any general solicitations of employment by the Seller or its Affiliates or (b) induce or attempt to induce any supplier, consultant, contractor, licensee or other business relation of the Company to cease doing business with the Company, or in any way interfere with the business relationship between any such Person and the Company. The Seller agrees and acknowledges that (i) the covenants set forth in this Section 5.11 are reasonably limited in time and in all other respects, (ii) the covenants set forth in this Section 5.11 are reasonably necessary for the protection of the Buyer, (iii) the Buyer would not have entered into this Agreement but for the covenants of the Seller contained herein, and (iv) the covenants contained herein have been made in order to induce the Buyer to enter into this Agreement. The Seller recognizes and affirms that in the event of its breach of any provision of this Section 5.11, money damages would be inadequate and the Buyer and the Company would have no adequate remedy at Law. Accordingly, the Seller agrees that in the event of a breach or a threatened breach by any Restricted Party of any of the provisions of this Section 5.11, the Buyer and the Company, in addition and supplementary to other rights and remedies existing in their favor, may apply to any court of Law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security).

5.12 Risk of Loss. The risk of any loss, damage, impairment, confiscation or condemnation of any of the assets of the Company from any cause whatsoever shall be borne by the Seller at all times prior to the Closing, and by the Buyer at all times thereafter. If any such loss, damage, impairment, confiscation or condemnation occurs, the Company shall apply the proceeds of any insurance policy, judgment or award with respect thereto to repair, replace or restore the assets as soon as possible to their prior condition; provided, however, anything contained in this Agreement to the contrary notwithstanding, neither the Seller nor the Company shall be obligated to expend sums in excess of the proceeds of any insurance policy (plus the amount of any applicable deductible thereunder), judgment or award with respect to any loss, damage, impairment, confiscation or condemnation of any of the assets of the Company in order to repair, replace or restore such assets to their prior condition. The provisions of this Section 5.12 shall apply in the event (a "**Casualty Event**") of any damage or destruction to the assets of the Company which would result in the nonoccurrence of a condition precedent to the Buyer's obligation to consummate the transactions contemplated hereby. If a Casualty Event shall occur, the Buyer, at its option, may proceed to close pursuant to this Agreement on the Closing Date, in which event the Seller shall pay or assign to the Buyer the proceeds from any insurance policies covering assets of the Company subject to the Casualty Event to the extent such proceeds are received by or payable to the Seller and have not been used in or committed to the restoration or replacement of assets of the Company subject to the Casualty Event as of the Closing Date.

5.13 Capital Expenditure Plan. Between the Effective Date and the Closing Date, the Company shall, and the Seller will cause the Company to, make the capital expenditures listed on Exhibit B, totaling in the aggregate the amount set forth on Exhibit B, unless the Seller and the Buyer agree otherwise in writing.

5.14 Further Assurances. Subject to the terms and conditions of this Agreement, at any time and from time to time following the Closing Date, at either Party's request (and at the expense of the requesting Party but without further consideration), the other Party shall execute and deliver to such requesting Party such other instruments of sale, transfer, conveyance, assignment and confirmation, provide such materials and information and take such other actions as such Party may reasonably request in order to fully consummate the transactions contemplated by this Agreement.

5.15 Insurance. To the extent that the Company was insured under insurance policies of the Seller prior to the Closing Date as named insured or otherwise, following the Closing, (a) the Seller shall maintain or cause to be maintained in full force and effect such insurance policies throughout the period between the Effective Date and the Closing Date and shall thereafter refrain from electing to terminate any such insurance policy prior to the expiration of its stated term, (b) the Buyer may, or at the Buyer's written request the Seller shall, make claims under such policies with respect to occurrences, events, conditions, or circumstances relating to the Company or its assets that occurred or existed prior to the Closing Date, and (c) if the Seller receives any amounts under any such insurance policy with respect to any occurrence, event, condition, or circumstance relating to the Company or its assets that occurred or existed prior to the Closing Date, the Seller shall promptly forward such amounts to the Buyer (net of reasonable costs of recovery of the Seller or its Affiliates). The Seller does not represent, warrant or covenant that (i) such insurance policies will provide coverage for any claims reported after the Closing Date that the Buyer may elect to make, or (ii) issuers of such policies will not wrongfully refuse to honor any such claims. The Seller shall provide reasonable assistance to the Buyer in connection with the tendering of such claims to the applicable insurers under such insurance policies. The Seller shall remit any recoveries with respect to any claims asserted by the Buyer under any such insurance policies (net of reasonable costs of recovery of the Seller or its Affiliates) to the Buyer. In the event of any dispute regarding the date of any loss or occurrence, the terms of the applicable insurance policies shall govern. For a period of four (4) years from the Closing Date, the Seller shall not enter into any endorsement or amendment of any such insurance policy that would be adverse, in any material respect, only to the Company and its assets and not the Seller's remaining assets and Affiliates with respect to occurrences prior to and including the Closing Date.

5.16 Eminent Domain Proceedings.

(a) If, prior to the Closing Date, any Governmental Authority, initiates a condemnation or eminent domain proceeding against all or a material portion of any real or personal property of the Company (including without limitation the Owned Real Estate) by conducting a public hearing or otherwise in accordance with applicable Law then in effect (a "**Condemnation Proceeding**"), the Seller shall promptly notify the Buyer and shall provide the Buyer with all information concerning such Condemnation Proceedings. The Buyer shall then, at its sole option, either: (i) terminate this Agreement by providing written notice to the Seller within twenty (20) days of receipt of the notice from the Seller; or (ii) proceed to the Closing as provided herein, in which case, any right of the Seller to receive an award in condemnation or transfer resulting from negotiations pursuant to the Condemnation Proceeding shall be assigned by the Seller to the Buyer at the Closing, subject to the provisions of Section 5.16(c).

(b) If the Buyer does not terminate this Agreement pursuant to Section 5.16(a) and Section 8.1(d), the Seller or the Company shall: (i) not adjust or settle any Condemnation Proceedings without the prior written consent of the Buyer, which approval may be withheld by the Buyer in its sole and absolute discretion; (ii) keep the Buyer fully advised as to the status of the Condemnation Proceedings; and (iii) allow the Buyer to participate in all Condemnation Proceedings.

(c) If (i) a Condemnation Proceeding is initiated at any time during the period between the Effective Date and the date that is three (3) months following the Closing Date, and (ii) an award is rendered pursuant thereto at any time during the two (2) year period following the Closing Date either (A) pursuant to an agreement or stipulation between the Company and such Governmental Authority for the acquisition of such any real or personal property of the Company (including without limitation the Owned Real Estate), pursuant to applicable Law then in effect or (B) after the entry of an order of the appropriate judgment by a court with competent jurisdiction over the Condemnation Proceeding pursuant to applicable Law then in effect, then the Buyer and the Seller shall share equally the amount of such award that is in excess of: (i) the final Purchase Price, as adjusted pursuant to Article II, plus (ii) any and all expenses incurred by the Company in connection with or related to the Condemnation Proceeding, plus (iii) any and all expenses incurred by the Buyer in connection with or related to the transactions contemplated by this Agreement, plus (iv) the aggregate amount of capital expenditures made by the Company during the period between the Closing Date and the date that such award in condemnation is rendered, less (v) the aggregate amount of depreciation accrued by the Company during the period between the Closing Date and the date that such award in condemnation is rendered.

5.17 Disclosure Schedule Updates. Not less than five (5) Business Days prior to the Closing Date, the Seller and the Company may (but shall not have the obligation to) deliver a written update to any of their Disclosure Schedules (the "**Disclosure Schedule Supplement**") and, subject to the proviso at the end of this sentence, such Disclosure Schedule Supplement shall amend and supplement the Disclosure Schedules such that the information contained in the Disclosure Schedule Supplement shall be deemed included in the Disclosure Schedules for all purposes hereunder, including with respect to the satisfaction of the conditions to Closing contained herein and the Buyer's right to seek indemnification under Article IX; provided, that (i) such written update was not required to make the representations and warranties set forth in Article III true and correct in all material respects as of the Effective Date and (ii) such written update is required as a result of (A) events which occurred following the Effective Date, or (B) events which occurred prior to the Effective Date but which the Company did not have Knowledge of as of the Effective Date. Notwithstanding the foregoing, if the Buyer objects to the Disclosure Schedule Supplement, the sole remedy of the Buyer shall be to terminate immediately this Agreement pursuant to Section 8.1(d); provided, however, that such termination right shall only be available if the matters disclosed for the first time in the Disclosure Schedule Supplement would prevent the condition to Closing set forth in Section 6.1(a) from being satisfied.

5.18 Rate Case Cooperation. The Parties agree to cooperate on and use commercially reasonable efforts to pursue the current rate case filed by the Company, including consultation regarding rate case information, preparation of rate case schedules, and responses to the interrogatories in connection therewith.

ARTICLE VI
CLOSING CONDITIONS

6.1 Conditions to Obligations of the Buyer. The obligations of the Buyer to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions:

(a) the representations and warranties set forth in Section 3.1 and Section 3.2 which are not qualified by materiality or Material Adverse Effect shall be true and correct in all material respects at and as of the Closing Date and the representations and warranties set forth in Section 3.1 and Section 3.2 which are qualified by materiality or Material Adverse Effect shall be true and correct in all respects at and as of the Closing Date (except for representations and warranties that speak of a specific date or time other than the Closing Date which shall be true and correct as of such specified date to the extent set forth above);

(b) the Company and the Seller shall have performed and complied in all material respects with all of their respective covenants hereunder through the Closing Date;

(c) there shall not have occurred from December 31, 2010 to the Closing Date any event or development that has had or is reasonably expected to have a Material Adverse Effect;

(d) any PUC listed on Section 2.5(a)(ix) of the Disclosure Schedule shall have approved the transactions contemplated hereby, if required by applicable Law, by Final Order; provided, however, that (i) if both the Buyer and the Seller waive the condition of such PUC approval by Final Order, the Parties shall consider the PUC approval without Final Order sufficient to proceed to the Closing according to the other terms of this Agreement and (ii) no Final Order shall impose terms or conditions that would reasonably be expected to have a Material Adverse Effect (after giving effect to the purchase of the Stock by the Buyer); and

(e) the Seller shall have delivered, or caused to be delivered, all items required to be delivered in accordance with Section 2.5(a).

6.2 Conditions to Obligations of the Seller. The obligations of the Seller to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions:

(a) the representations and warranties set forth in Section 4.1 above which are not qualified by materiality shall be true and correct in all material respects at and as of the Closing Date and the representations and warranties set forth in Section 4.1 which are qualified by materiality shall be true and correct in all respects at and as of the Closing Date (except for representations or warranties that speak of a specific date or time other than the Closing Date which shall be true and correct as of such specified date to the extent set forth above);

(b) the Buyer shall have performed and complied in all material respects with all of its covenants hereunder through the Closing Date;

(c) any PUC listed on Section 2.5(a)(ix) of the Disclosure Schedule shall have approved the transactions contemplated hereby, if required by applicable Law, by Final Order; provided, however, that (i) if both the Buyer and the Seller waive the condition of such PUC approval by Final Order, the Parties shall consider the PUC approval without Final Order sufficient to proceed to the Closing according to the other terms of this Agreement and (ii) no Final Order shall impose terms or conditions that would reasonably be expected to be materially adverse to the Seller or its Affiliates, other than the Company (after giving effect to the purchase of the Stock by the Buyer); and

(d) the Buyer shall have delivered, or caused to be delivered, all items required to be delivered in accordance with Section 2.5(b).

6.3 Conditions to Obligations of All Parties. The obligations of all Parties to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions:

(a) no Legal Proceeding shall be pending before any Governmental Authority (other than a PUC) which would reasonably be expected to result in any order of such Governmental Authority (nor shall there be any such order in effect) which would (i) prevent or inhibit the consummation of the transactions contemplated hereby, (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, (iii) adversely affect the right of the Buyer to own the Stock of the Company and to control the Company, or (iv) adversely affect the right of the Company to own a material portion of its assets and to operate the Business in any material respect;

(b) the applicable waiting period under the HSR Act with respect to the transactions contemplated hereby shall have expired or been terminated; and

(c) all of the conditions to closing under the New York Purchase Agreement shall have been satisfied or waived, other than any condition requiring the conditions to Closing hereunder having been satisfied or waived.

6.4 Waiver of Conditions. Notwithstanding anything to the contrary set forth herein, (a) if any of the conditions set forth in Sections 6.1 or 6.3 shall not have been satisfied, the Buyer shall have the right to proceed with the Closing, in which case the Buyer shall be deemed to have waived for all purposes any rights or remedies it may have had under this Agreement or otherwise by reason of the failure of any such condition, and (b) if any of the conditions set forth in Sections 6.2 or 6.3 shall not have been satisfied, the Seller shall have the right to proceed with the Closing, in which case the Seller shall be deemed to have waived for all purposes any rights or remedies it may have had under this Agreement or otherwise by reason of the failure of any such condition.

ARTICLE VII
TAX MATTERS

7.1 Tax Matters.

(a) *Straddle Period*. In the case of any taxable period that includes (but does not end on) the Closing Date (a "**Straddle Period**"), the amount of any Taxes based on or measured by the income or receipts of the Company for the Pre-Closing Tax Period shall be determined based on the interim closing of the books as of the close of business on the Closing Date. The amount of other Taxes of the Company for a Straddle Period that relates to a Pre-Closing Tax Period shall be deemed to be the amount of Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in such Straddle Period.

(b) *Tax Returns*. The Seller shall prepare or cause to be prepared and file or cause to be filed all Tax Returns and pay or cause to be paid all Taxes that are shown as due and owing on such Tax Returns for the Company for all Pre-Closing Tax Periods but that are filed after the Closing Date. The Buyer shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company that are filed for taxable periods ending after the Closing Date. The Buyer shall permit the Seller to review and approve each Tax Return which covers a Straddle Period and shall make such revisions to such Tax Returns as are reasonably requested by the Seller, to the extent such revisions relate to any Pre-Closing Tax Period.

(c) *Refunds and Tax Benefits*. Any refunds of Tax that are received by the Buyer or the Company after the Closing Date that relate to any taxable periods or portions thereof ending on or before the Closing Date (or, to the extent applicable, to a Pre-Closing Tax Period or to any Straddle Period) shall be for the account of the Seller, and the Buyer shall pay over to the Seller (and shall not have the right to set off such amount against any Losses for which the Seller is obligated to indemnify the Buyer pursuant to Article IX herein) any such refund within fifteen (15) days after receipt. To the extent that a claim for refund or a proceeding results in a payment or credit against Tax by a Governmental Authority to the Buyer or the Company of any amount accrued on the balance sheet of the Company as of the Closing Date, the Buyer shall pay such amount to the Seller within fifteen (15) days after receipt of such amount.

(d) *Tax-Sharing Agreements*. All tax-sharing agreements and similar agreements with respect to the Company shall be terminated as of the Closing Date and, after the Closing Date, the Company shall not be bound thereby or have any Liability thereunder.

(e) *Transfer Taxes*. The Buyer and the Seller shall each pay fifty percent (50%) of all transfer or gains Tax (specifically excluding any capital gains Tax), intangibles Tax, stamp Tax, registration Tax, use Tax or other similar Tax imposed on the Company or the Seller as a result of the transactions contemplated by this Agreement (collectively, "**Transfer Taxes**"), including any penalties or interest or other fees and charges with respect to Transfer Taxes.

(f) *Cooperation*. The Seller, the Company, and the Buyer shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, agents, auditors and Representatives to reasonably cooperate, in preparing and filing all Tax Returns, and in resolving all disputes and audits with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information reasonably relevant to any such audit or other Legal Proceedings and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided thereunder. The Company, the Seller, and the Buyer agree (i) to retain all books and records with respect to Tax matters pertinent to the Company relating to any taxable period beginning before the Closing Date until the expiration of the applicable statute of limitations (and, to the extent notified by the Buyer or the Seller, as the case may be, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (ii) to give the other Party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other Party so requests, the Company or the Seller, as the case may be, shall allow the other Party to take possession of such books and records. The Buyer and the Seller further agree, upon request, to use their commercially reasonable efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transactions contemplated hereunder). Unless required by applicable Law, or as necessary to correct any errors in prior Tax Returns, the Buyer shall not amend any Tax Returns that relate to the Pre-Closing Tax Period without the Seller's prior written consent. In addition to the foregoing, the Buyer shall not, and shall cause its Affiliates (including the Company after the Closing Date) not to, enter into any settlement of any contest or otherwise compromise any issue with respect to the portion of the Pre-Closing Tax Period without the prior written consent of the Seller, which consent shall not be unreasonably withheld, delayed or conditioned.

ARTICLE VIII
TERMINATION

8.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either the Buyer or the Seller (provided that the terminating Party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if the Closing shall not have occurred twelve (12) months after the Effective Date (the "**Outside Date**") (provided, that if on the Outside Date one or more of the conditions to Closing set forth in Section 6.1(d), Section 6.2(c), and Section 6.3(b) have not been fulfilled and such conditions are being diligently pursued by the appropriate Party, and all of the other conditions to Closing contained in Article VI have been fulfilled or are capable of being fulfilled, then, at the option of either the Buyer or the Seller (which shall be exercised by written notice on or before the Outside Date), the twelve (12) month period shall be fifteen (15) months);

(b) by the Buyer if (i) the Seller shall have breached any of its covenants or agreements contained in this Agreement to be complied with by the Seller such that the closing condition set forth in Section 6.1(b) would not be satisfied or (ii) there exists a breach of any representation or warranty of the Seller or the Company contained in this Agreement such that the closing condition set forth in Section 6.1(a) would not be satisfied; provided, in the case of (i) or (ii), that such breach is not cured by the Seller within thirty (30) Business Days after the Seller receives written notice of such breach from the Buyer; provided that the Buyer is not then in breach in any material respect with any of its covenants or agreements under this Agreement;

(c) by the Seller if (i) the Buyer shall have breached any of the covenants or agreements contained in this Agreement to be complied with by the Buyer such that the closing condition set forth in Section 6.2(b) would not be satisfied or (ii) there exists a breach of any representation or warranty of the Buyer contained in this Agreement such that the closing condition set forth in Section 6.2(a) would not be satisfied; provided, in the case of (i) or (ii), that such breach is not cured by the Buyer within thirty (30) Business Days after the Buyer receives written notice of such breach from the Seller; provided that the Seller is not then in breach in any material respect with any of its covenants or agreements under this Agreement;

(d) by the Buyer in accordance with Section 5.16 hereof;

(e) by the Buyer in accordance with Section 5.17 hereof; or

(f) at any time prior to the Closing Date by mutual written agreement of the Buyer and the Seller.

8.2 Effect of Termination. In the event of termination of this Agreement in accordance with Section 8.1, this Agreement shall forthwith become void and there shall be no Liability on the part of any Party to any other Party, Affiliates, directors or officers under this Agreement, except that (i) the provisions of this Section 8.2 and Article X shall continue in full force and effect and (ii) nothing herein shall relieve any Party from Liability for any breach of this Agreement prior to such termination.

ARTICLE IX
INDEMNIFICATION

9.1 Seller Indemnification. Subject to the limitations set forth in this Article IX, and without duplication, the Seller shall indemnify and hold harmless the Buyer and each of its directors, officers and Affiliates (collectively, the "**Buyer Indemnified Parties**") from and against any and all Losses suffered or incurred by such Buyer Indemnified Party arising from:

(a) any breach or default in performance by the Seller or the Company of any covenant or agreement of the Seller or the Company contained in this Agreement;

(b) any breach of, or any inaccuracy in, any representation or warranty made by the Seller or the Company in this Agreement or in any Ancillary Agreement executed and delivered pursuant to this Agreement;

(c) any claim by any Person for brokerage or finder's fees or commissions or similar payments with respect to the transactions contemplated by this Agreement based upon any agreement or understanding alleged to have been made by any such Person with the Seller or the Company (or any Person acting on their behalf);

(d) any Taxes of the Seller or the Company that are in excess of the reserve for Taxes set forth on the balance sheet of the Company as of the Closing Date and taken into account in the calculation of Closing Date Shareholder's Equity to the extent attributable to any Pre-Closing Period;

(e) any Indebtedness of the Company not satisfied in full prior to or at the Closing to the extent not taken into account in the calculation of Closing Date Shareholder's Equity or the Estimated Payment; and

(f) any Intercompany Debt not satisfied or terminated in full prior to or at the Closing.

9.2 Buyer Indemnification. Subject to the limitations set forth in this Article IX, and without duplication, the Buyer shall indemnify and hold harmless the Seller and each of its directors, officers and Affiliates (collectively, the "**Seller Indemnified Parties**") from and against any and all Losses suffered or incurred by such Seller Indemnified Party arising from:

(a) any breach or default in performance by the Buyer of any covenant or agreement of the Buyer contained in this Agreement that is to be performed at or prior to the Closing Date; and

(b) any breach of, or any inaccuracy in, any representation or warranty made by the Buyer in this Agreement or in any Ancillary Agreement executed and delivered pursuant to this Agreement.

9.3 Survival of Representations and Warranties and Pre-Closing Covenants. The covenants, representations and warranties that are covered by the indemnification obligations under Article IX shall (a) survive the Closing and (b) shall expire on the date that is twenty-four (24) months after the Closing Date; provided, however, that (i) the representations and warranties contained in Section 3.2(j) (Tax Matters) and Section 3.2(p) (Employee Benefit Plans) shall expire on the sixtieth (60th) day following the expiration of the applicable statute of limitations, (ii) the representations and warranties contained in Section 3.2(u) (Environmental) shall expire on the date that is seven (7) years after the Closing Date, (iii) the representations and warranties contained in Section 3.1(a) (Ownership), Section 3.1(b) (Organization and Authorization), Section 3.2(a) (Organization, Qualification and Authority), Section 3.2(b) (Authorization of Transaction), and Section 3.2(d) (Capitalization) shall survive the Closing indefinitely, and (iv) if a Buyer Indemnified Party or Seller Indemnified Party, as applicable, delivers to the other party, before expiration of a representation or warranty, a notice of any claim for indemnification under this Article IX based upon a breach of such representation or warranty (a "**Claim Notice**"), then the applicable representation or warranty shall survive until, and only for purposes of, the resolution of the matter covered by such Claim Notice.

9.4 Limitations.

(a) Notwithstanding anything to the contrary in this Agreement, (i) after the Closing, the aggregate Liability of the Seller to the Buyer Indemnified Parties for Losses covered under Section 9.1 shall be limited to $7,969,590 (i.e., 9% of the Purchase Price) and (ii) no indemnification shall be available to the Buyer Indemnified Parties for Losses covered under Section 9.1 unless and until the aggregate Losses for which indemnification would otherwise be available under Section 9.1 exceed $442,755 (i.e., 0.50% of the Purchase Price), at which point indemnification shall be available to the Buyer Indemnified Parties for the aggregate Losses under Section 9.1 relating back to the first dollar; provided, however that (A) the limitations of clause (ii) above shall not apply to claims for indemnification in respect of any breach of a representation or warranty contained in Section 3.1(a) (Ownership), Section 3.1(b) (Organization and Authorization), Section 3.1(f) (Brokers), Section 3.2(a) (Organization, Qualification and Authority), Section 3.2(b) (Authorization of Transaction), Section 3.2(d) (Capitalization), Section 3.2(j) (Tax Matters) or Section 3.2(s) (Brokers) of this Agreement, and (B) the limitations of clause (i) above shall not apply to claims for indemnification in respect of any breach of a representation or warranty contained in Section 3.1(a) (Ownership), Section 3.1(b) (Organization and Authorization), Section 3.2(a) (Organization, Qualification and Authority), Section 3.2(b) (Authorization of Transaction), or Section 3.2(d) (Capitalization) of this Agreement, provided that the aggregate Liability of the Seller to the Buyer Indemnified Parties for Losses for breaches of the representations and warranties contained in the sections listed in this clause (B) shall not exceed the Purchase Price.

(b) No Party shall be entitled to indemnification under this Article IX with respect to (i) incidental damages, special damages, exemplary damages, consequential damages (including consequential damages consisting of or based on any multiple of profits or earnings, or diminution in value or lost profits), or punitive damages (other than such incidental, special, exemplary, consequential or punitive damages recoverable by a third party pursuant to a Third Party Claim) or (ii) any matter which is included or taken into account in the calculation of Closing Date Shareholder's Equity or the Closing Adjustment as finally determined pursuant to Section 2.3.

(c) Notwithstanding anything to the contrary herein, the amount of any Losses for the purposes of determining amounts recoverable under this Article IX shall be reduced by any amounts actually recovered by the Seller Indemnified Party or the Buyer Indemnified Party, as applicable, in respect of such Losses under insurance policies, or in any condemnation, confiscation or similar proceeding (net of out-of-pocket costs of collection).

(d) Except as otherwise expressly provided for herein, after the Closing, the rights of the Buyer Indemnified Parties and Seller Indemnified Parties under this Article IX shall be the sole and exclusive remedy of the Buyer Indemnified Parties and Seller Indemnified Parties with respect to any and all disputes or Legal Proceedings arising out of or related to this Agreement or the transactions contemplated thereby; provided, however, that nothing contained in this Section 9.4(d) will limit, in any way, any rights a Party may have to (i) bring a claim or action grounded in actual fraud or willful misrepresentation, (ii) seek specific performance in accordance with Section 10.2, or (iii) a Closing Adjustment in accordance with Section 2.3. As of the Closing, each Party waives against the other, and the Company and the Buyer Indemnified Parties each waive against the Seller, any statutory rights, including, but not limited to, any private right of action for contribution or cost recovery, which such Party, the Company or the Buyer Indemnified Party then has or may thereafter have under any Environmental Laws. In furtherance of the foregoing, the waiver of any condition to the Closing based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, agreement or obligation, shall be deemed a waiver of the right to indemnification under this Article IX with respect to such representation or warranty, covenant, agreement or obligation.

(e) Any indemnification payments made pursuant to this Article IX shall be considered adjustments to the Purchase Price.

(f) Notwithstanding anything to the contrary herein, no Buyer Indemnified Party shall be entitled to indemnification for Losses (including through a claim of breach of representation) relating or attributable to (i) Tax Liabilities (A) for any period beginning after the Closing Date or any period beginning before the Closing Date to the extent attributable to the portion of such period after the Closing Date, (B) attributable to any actions taken by the Buyer or the Company or their respective Affiliates after the Closing (including actions taken after the Closing but on the Closing Date), or (C) which are paid prior to the Closing, including through estimated Tax payments or other prepayments of Tax, or which are included in the calculation of Closing Date Shareholder's Equity as finally determined pursuant to Section 2.3, or (ii) the amount, availability of, or limitations on any Tax attributes (including basis in assets, depreciation and amortization periods, depreciability and amortizability, net operating loss carryovers, and credit carryovers).

9.5 Indemnification Claims.

(a) *Notice; Third-Party Claim.* Promptly after the receipt by either a Buyer Indemnified Party or a Seller Indemnified Party, as the case may be (the "**Indemnified Party**") of notice of the commencement of any Legal Proceeding, investigation or other claim against such Indemnified Party by a third party (such action, a "**Third Party Claim**"), such Indemnified Party shall, if a claim with respect thereto is to be made for indemnification pursuant to this Article IX, give written notification to the Seller or the Buyer, as the case may be (the "**Indemnifying Party**") of the commencement of such Third Party Claim. Such notification shall be given promptly upon receipt by the Indemnified Party of notice of such Third Party Claim, and shall describe in reasonable detail (to the extent known by the Indemnified Party) the facts constituting the basis for such Third Party Claim and the amount of the claimed Losses; provided, however, that no delay or failure on the part of the Indemnified Party in so notifying the Indemnifying Party shall limit any Liability or obligation for indemnification pursuant to this Article IX except to the extent of any damage or Liability caused by or arising out of such delay or failure. Within fifteen (15) days after delivery of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party. If the Indemnifying Party does not so assume control of the defense of a Third Party Claim, the Indemnified Party shall control such defense. The Party not controlling the defense of a Third Party Claim (the "**Non-Controlling Party**") may participate in such defense at its own expense. The Party controlling the defense of the Third Party Claim (the "**Controlling Party**") shall keep the Non-Controlling Party advised of the status of such Third Party Claim and the defense thereof and shall consider in good faith recommendations made by the Non-Controlling Party with respect thereto. The Non-Controlling Party shall furnish the Controlling Party with such information as it may have with respect to such Third Party Claim (including copies of any summons, complaint or other pleading which may have been served on such Party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and shall otherwise cooperate with and assist the Controlling Party in the defense of such Third Party Claim. The fees and expenses of counsel to the Controlling Party shall be considered Losses for purposes of this Agreement. The Controlling Party shall not agree to any settlement of, or the entry of any judgment arising from, any Third Party Claim without the prior written consent of the Non-Controlling Party, which shall not be unreasonably withheld, conditioned or delayed.

(b) *Notice; Claim.* In order to seek indemnification under this Article IX (other than in respect of Third Party Claims which shall be governed by subsection (a)), an Indemnified Party shall deliver a Claim Notice to the Indemnifying Party. Such Claim Notice shall be delivered by the Indemnified Party within thirty (30) days after the Indemnified Party receives notice of the claim and shall describe in reasonable detail the facts constituting the basis for such claim and the claim amount; provided that, no delay or failure on the part of an Indemnified Party in so notifying the Indemnifying Party shall limit any Liability or obligation for indemnification pursuant to this Article IX, except to the extent of any damage or Liability caused by or arising out of such delay or failure.

ARTICLE X
MISCELLANEOUS

10.1 Press Releases and Announcements. Prior to the Closing, no Party shall issue nor permit any of its managers, directors, officers, employees, agents, or Representatives to issue, any press release or public announcement relating to the subject matter of this Agreement or the transactions contemplated hereby without the prior written approval of the other Parties hereto. Prior to and following the Closing, any Party may make any public disclosure required by Law or applicable rules or regulations of any stock exchange; provided, however, that, to the extent possible, the disclosing Party will provide the other Party with the proposed disclosure for review and comment with adequate time for such review prior to such disclosure.

10.2 Specific Performance. Each of the Parties acknowledges and agrees that (a) the other Parties would be damaged irreparably in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached or violated; (b) accordingly, without posting bond or similar undertaking, the other Parties shall be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any Legal Proceeding instituted in any court having jurisdiction over both the Parties and the matter in addition to any other remedy to which it may be entitled, at Law or in equity; and (c) in the event of any action for specific performance in respect of such breach or violation, it shall not assert the defense that a remedy at Law would be adequate.

10.3 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

10.4 Entire Agreement. This Agreement (including the Exhibits, Disclosure Schedules and other agreements and documents referred to herein) and the Non-Disclosure Agreement constitute the entire agreement between the Parties and supersede any prior understandings, agreements, or representations by or between the Parties, written or oral, that may have related in any way to the subject matter hereof.

10.5 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign this Agreement or any of such Party's rights, interests, or obligations hereunder without the prior written approval of the other Parties, except that the Buyer may assign (a) its rights and obligations hereunder to any of its Affiliates (provided that no such assignment shall release the Buyer from its obligations hereunder), (b) as collateral security its rights pursuant hereto to any Person providing financing to the Buyer or any of its Affiliates, and (c) its rights and obligations hereunder to any subsequent purchaser of the Buyer, any such permitted transferee or a material portion of its or their assets (whether such sale is structured as a sale of stock, sale of assets, merger, recapitalization or otherwise).

10.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. It is the express intent of the Parties hereto to be bound by the exchange of signatures on this Agreement via facsimile or electronic mail via the portable document format (PDF).

10.7 Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed properly given (i) three (3) Business Days after it is sent by registered or certified mail, return receipt requested, postage prepaid, (ii) one (1) day after receipt is electronically confirmed, if sent by fax (provided that a hard copy shall be promptly sent by first class mail), or (iii) one (1) Business Day following deposit with a recognized national overnight courier service for next day delivery, charges prepaid, and, in each case, addressed to the intended recipient as set forth below:

If to the Seller or the Company (prior to the Closing):

American Water Works Company, Inc.
1025 Laurel Oak Road
Voorhees, New Jersey 08043
Attention: Kellye Walker
Facsimile: 856.346.8299

With copies to:

Reed Smith LLP
225 Fifth Avenue
Pittsburgh, Pennsylvania 15222
Attention: Glenn R. Mahone
Facsimile: 412.288.3063

and

Reed Smith LLP
2500 One Liberty Place
1650 Market Street
Philadelphia, Pennsylvania 19103
Attention: Brian C. Miner
Facsimile: 215.851.1420

If to the Buyer or the Company (following the Closing):

Aqua Ohio, Inc.
762 W. Lancaster Avenue
Bryn Mawr, Pennsylvania 19010
Attention: General Counsel
Facsimile: 610.645.1061

With a copy to:

Fox Rothschild LLP
2000 Market Street, 20th Floor
Philadelphia, Pennsylvania 19103
Attention: Peter J. Tucci
Facsimile: 215.345.7507

Any Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been properly given unless and until it actually is delivered to the individual for whom it is intended. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

10.8 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

10.9 CONSENT TO JURISDICTION. EACH OF THE BUYER, THE COMPANY, AND THE SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE APPLICABLE STATE OR FEDERAL COURTS SITTING IN THE STATE OF DELAWARE FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE BUYER, THE COMPANY, AND THE SELLER AGREE NOT TO COMMENCE ANY LEGAL PROCEEDING RELATED THERETO EXCEPT IN SUCH COURTS. EACH OF THE BUYER, THE COMPANY, AND THE SELLER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH COURT OR THAT SUCH ACTION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

10.10 WAIVER OF TRIAL BY JURY. TO THE EXTENT PERMITTED BY LAW, EACH OF THE SELLER, THE COMPANY, AND THE BUYER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANCILLARY AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY IN CONNECTION HEREWITH. THE SELLER AND THE COMPANY HEREBY EXPRESSLY ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE BUYER TO ENTER INTO THIS AGREEMENT.

10.11 Amendments and Waivers. No amendment, supplement, variation or modification of any provision of this Agreement shall be valid unless the same shall be in writing and signed by an authorized Representative of each of the Buyer, the Seller and the Company. No waiver by any Party of any provision in this Agreement or any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence of such kind.

10.12 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the invalid or unenforceable term or provision in any other situation or in any other jurisdiction. If a final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or applicability of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

10.13 Expenses. Each of the Parties will bear such Party's own direct and indirect costs and expenses (including fees and expenses of legal counsel, investment bankers, brokers or other Representatives or consultants) incurred in connection with the negotiation, preparation and execution of this Agreement and the transactions contemplated hereby, whether or not such transactions are consummated; provided, however, that the Buyer and the Seller shall share equally the filing fees under the HSR Act.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have each executed and delivered this Agreement as of the day and year first above written.

AQUA OHIO, INC.

By: Nicholas DeBenedictis
Name: Nicholas DeBenedictis
Title: Chairman

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry Sterba
Name:
Title:

OHIO-AMERICAN WATER COMPANY

By: David K. Little
Name: David K. Little
Title: President Ohio American

[Signature Page for Stock Purchase Agreement (Ohio)]

EXHIBIT A

DECEMBER 31, 2010 SHAREHOLDER'S EQUITY

EXHIBIT B

CAPITAL EXPENDITURE PLAN

Exhibit 2.3

(EXECUTION VERSION)

STOCK PURCHASE AGREEMENT

by and among

AQUA UTILITIES, INC.,

AQUA NEW YORK, INC.,

and

AMERICAN WATER WORKS COMPANY, INC.,

Dated as of July 8, 2011

TABLE OF CONTENTS

EXHIBITS

DISCLOSURE SCHEDULE SECTIONS

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement (this "**Agreement**") is made and entered into as of July 8, 2011 (the "**Effective Date**"), by and among (i) American Water Works Company, Inc., a Delaware corporation (the " **Buyer**"), (ii) Aqua New York, Inc., a New York corporation (the "**Company**"), and (iii) Aqua Utilities, Inc., a Texas corporation (the " **Seller**"). The Buyer, the Company, and the Seller are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

A. The Company and the Subsidiaries (as defined below) are public utilities in the business of: (i) storing, supplying, distributing, and selling potable and irrigation water to the public, (ii) wholesale water transmission, (iii) wastewater treatment, and (iv) related services and activities in their respective franchised territories in the State of New York (collectively, the "**Business**").

B. The Seller owns 100% of the issued and outstanding capital stock of the Company.

C. The Company owns 100% of the issued and outstanding capital stock of both New York Water Service Corporation, a New York corporation ("**NYWSC**"), and Aqua New York of Sea Cliff, Inc., a New York corporation (" **Sea Cliff**" and, together with NYWSC, the "**Subsidiaries**").

D. The Seller desires to sell, and the Buyer desires to purchase, all of the issued and outstanding stock of the Company on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing, and the mutual premises herein made, and in consideration of the representations, warranties and covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF INTERPRETATION

1.1 Definitions.

The following capitalized terms when used herein (and in the Exhibits and Schedules hereto) shall have the meanings specified in this Section.

"**APBO**" has the meaning set forth in Section 5.5(e)(iv)(A).

"**Actual Balance Sheet Adjustment**" has the meaning set forth in Section 2.3(a).

"**Affiliate**" means, with respect to any particular Person, any Person controlling, controlled by or under common control with such Person, whether by ownership or control of voting securities, by contract or otherwise. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") shall mean the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities having the right to elect a majority of such Person's board of directors or similar governing body or otherwise.

"**Agreement**" has the meaning set forth in the preamble to this Agreement.

"**Allocable VEBA Assets**" has the meaning set forth in Section 5.5(e)(iv)(A).

"**Ancillary Agreements**" has the meaning set forth in Section 3.1(b).

"**Applicable Employees**" has the meaning set forth in Section 5.5(a).

"**Aqua Retiree Medical Plan**" has the meaning set forth in Section 5.5(e)(iv)(B).

"**Aqua Retirement Plan**" has the meaning set forth in Section 5.5(e)(i).

"**Aqua 401(k) Plan**" has the meaning set forth in Section 5.5(e)(iii).

"**Arbitrator**" has the meaning set forth in Section 2.3(c).

"**Audited Financial Statements**" has the meaning set forth in Section 3.2(g)(i).

"**Balance Sheet Adjustment**" means the sum (positive or negative) of (i) the Closing Date Shareholder's Equity minus (ii) the December 31, 2010 Shareholder's Equity.

"**Bankruptcy and Equity Exceptions**" has the meaning set forth in Section 3.1(b).

"**Business**" has the meaning set forth in the recitals to this Agreement.

"**Business Day**" means any day that is not a Saturday, a Sunday, public holiday or other day on which banking institutions located in the State of Delaware are required or authorized by Law or other governmental action to be closed.

"**Buyer**" has the meaning set forth in the preamble to this Agreement.

"**Buyer Indemnified Parties**" has the meaning set forth in Section 9.1.

"**Buyer Plans**" has the meaning set forth in Section 5.5(d)(iii).

"**CERCLA**" means the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. § 9601 et seq., and any successor law thereto.

"**CERCLIS**" has the meaning set forth in Section 3.2(u)(xi).

"**COBRA**" means the requirements of Part 6 of Subtitle B of Title I of ERISA, Section 4980B of the Code, and of any similar state Law.

"**Casualty Event**" has the meaning set forth in Section 5.12.

"**Claim Notice**" has the meaning set forth in Section 9.3.

"**Closing**" has the meaning set forth in Section 2.4.

"**Closing Adjustment**" means the sum (positive or negative) of the Actual Balance Sheet Adjustment minus the Estimated Balance Sheet Adjustment.

"**Closing Certificate**" has the meaning set forth in Section 2.2(b).

"**Closing Conditions**" has the meaning set forth in Section 2.4.

"**Closing Date**" has the meaning set forth in Section 2.4.

"**Closing Date Shareholder's Equity**" means the consolidated shareholder's equity of the Company and the Subsidiaries as of the Closing Date as set forth on a consolidated balance sheet of the Company and the Subsidiaries as of the Closing prepared in accordance with GAAP, applied in a manner consistent with the Interim Financial Statements, calculated in a manner consistent with the calculation of the December 31, 2010 Shareholder's Equity as determined in accordance with Exhibit A, and reflecting the actions required pursuant to Section 5.7.

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

"**Company**" has the meaning set forth in the preamble to this Agreement.

"**Company Intellectual Property**" has the meaning set forth in Section 3.2(l)(i).

"**Condemnation Proceeding**" has the meaning set forth in Section 5.16(a).

"**Consumers Retiree Welfare Plan**" has the meaning set forth in Section 5.5(e)(iv)(C).

"**Consumers VEBA**" has the meaning set forth in Section 5.5(e)(iv)(A).

"**Continuing Support Obligation**" has the meaning set forth in Section 5.6(d).

"**Contract**" means any written contract, license, sublicense, mortgage, purchase order, indenture, loan agreement, lease, sublease, agreement or instrument or any binding commitment to enter into any of the foregoing to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries or any of their respective properties or assets are bound.

"**Controlling Party**" has the meaning set forth in Section 9.5(a).

"**DOJ**" has the meaning set forth in Section 5.1(b).

"**Data**" means the data relating to the Business as currently stored in an electronic format on computer servers operated by the Seller, including financial, employee, customer payment and billing information, customer service records, and maintenance records.

"**December 31, 2010 Shareholder's Equity**" means $42,171,000, which is the adjusted consolidated shareholder's equity of the Company and the Subsidiaries as of December 31, 2010 as determined in accordance with Exhibit A.

"**Disclosure Schedule**" means the schedule attached to this Agreement setting forth exceptions to the representations and warranties set forth herein.

"**Disclosure Schedule Supplement**" has the meaning set forth in Section 5.17

"**EDPL**" has the meaning set forth in Section 5.16(a).

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended, and the rules and regulations promulgated thereunder.

"**ERISA Affiliate**" means any business entity that (a) is included in a controlled group of entities within which the Company or any of the Subsidiaries is also included, as provided in Section 414(b) of the Code; (b) is a trade or business under common control with the Company or any of the Subsidiaries, as provided in Section 414(c) of the Code; (c) constitutes a member of an affiliated service group within which the Company or any of the Subsidiaries is also included, as provided in Section 414(m) of the Code; or (d) pursuant to written notice from the IRS, is required to be aggregated with the Company or any of the Subsidiaries pursuant to regulations issued under Section 414(o) of the Code.

"**Effective Date**" has the meaning set forth in the preamble to this Agreement.

"**Environmental Laws**" means any common law or federal, state or local law, statutes, rule, regulation, ordinance, code, judgment or order relating to the protection of the environment or human health and safety and includes, but is not limited to CERCLA, the Clean Water Act (33 U.S.C. § 1251, et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901, et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601, et seq.), the Safe Drinking Water Act (42 U.S.C. § 300f, et seq.), the Clean Air Act (42 U.S.C. § 7401, et seq.) and the Oil Pollution Act of 1990 (33 U.S.C. § 2701, et seq.) such as has been or may be interpreted or amended as of the Closing Date and the regulations promulgated pursuant thereto and in effect as of the Closing Date.

"**Estimated Balance Sheet Adjustment**" has the meaning set forth in Section 2.2(b).

"**Estimated Payment**" has the meaning set forth in Section 2.2(c).

"**FTC**" has the meaning set forth in Section 5.1(b).

"**Final Order**" means an action or decision of a Governmental Authority as to which, (i) no request for a stay is pending, no stay is in effect, and any deadline for filing such request that may be designated by applicable Laws has passed, (ii) no petition for rehearing or reconsideration or application for review is pending and the time for the filing of such petition or application has passed, (iii) the Governmental Authority does not have the action or decision under reconsideration on its own motion and the time within which it may effect such reconsideration has passed, and (iv) no judicial appeal is pending or in effect and any deadline for filing any such appeal that may be designated by statute or rule has passed.

"**Financial Statements**" has the meaning set forth in Section 3.2(g)(i).

"**GAAP**" means generally accepted accounting principles in the United States as in effect from time to time applied consistently throughout the periods involved.

"**Governmental Authority**" means any government or political subdivision, whether federal, state, local or foreign, or any agency, regulatory authority or instrumentality of any such government or political subdivision, or any federal, state or local court or arbitrator, including any PUC.

"**HSR Act**" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"**Hazardous Material**" means any pollutants, contaminants or hazardous or regulated substances (as such terms are defined under CERCLA or corresponding state Law), pesticides (as such term is defined under the Federal Insecticide, Fungicide and Rodenticide Act), solid wastes, special wastes and hazardous wastes (as such terms are defined under the Resource Conservation and Recovery Act or corresponding provision of state Law), chemicals, other hazardous, radioactive or toxic materials, oil, petroleum and petroleum products (and fractions thereof), or any other material (or article containing such material) listed or subject to regulation under any federal, state or local Law, Permit, or directive due to its potential, directly or indirectly, to harm the environment or the health of humans or animals.

"**IRS**" means the Internal Revenue Service.

"**Indebtedness**" means, with respect to any Person, all outstanding obligations of such Person (a) for borrowed money; (b) evidenced by notes, bonds, debentures or similar instruments; or (c) in the nature of guarantees of obligations of the types described in clauses (a) or (b) above of any other Person.

"**Indemnified Party**" has the meaning set forth in Section 9.5(a).

"**Indemnifying Party**" has the meaning set forth in Section 9.5(a).

"**Intellectual Property**" means any and all of the following in the United States and outside of the United States: (a) all registered and unregistered trademarks, trade dress, service marks, logos, trade names, corporate names, other indicia of source of origin, and all applications to register the same; (b) all issued U.S. and foreign patents and pending patent applications, patent disclosures and improvements thereto, and rights related thereto; and (c) all registered and unregistered copyrights and all applications to register the same.

"**Intercompany Debt**" means all payables, receivables and Indebtedness between the Company or any of the Subsidiaries, on the one hand, and the Seller or any of its Affiliates (other than the Company and the Subsidiaries), on the other hand.

"**Interim Financial Statements**" has the meaning set forth in Section 3.2(g)(i).

"**Knowledge of the Company**", "**the Company's Knowledge**" or words of similar import means the actual knowledge of the following persons, after reasonable inquiry: (1) Nicholas DeBenedictis, Chairman; (2) Karl Kyriss, Chief Executive Officer; (3) Matthew Snyder, President and Chief Operating Officer; (4) Roy H. Stahl, Vice President and Assistant Secretary; (5) David P. Smeltzer, Vice President, Finance; (6) Diana MoyKelly, Treasurer; (7) Thomas J. Huber, Controller; (8) Leon Chain, Regional Controller; (9) Robert A. Rubin, Assistant Treasurer; (10) Maria Gordiany, Secretary; (11) Christopher P. Luning, Assistant Secretary; (12) Joseph F. Trotta, Laboratory Director; (13) Linda Ellison, Cross Connection, Safety, AMR Director; and (14) Michael Kane, Division Manager, or such other persons who succeed any of the foregoing persons in such positions and other persons who performs the customary roles and functions indicated by such titles.

"**Latest Balance Sheet**" has the meaning set forth in Section 3.2(g)(i).

"**Latest Balance Sheet Date**" has the meaning set forth in Section 3.2(g)(i).

"**Law**" means any federal, state or local statute, law, regulation, code, ordinance, executive order, judgment, order, decree, stipulation, injunction, administrative order, common law doctrine or other regulation or rule of any Governmental Authority.

"**Lease**" or "**Leases**" has the meaning set forth in Section 3.2(k)(i).

"**Leased Real Property**" has the meaning set forth in Section 3.2(k)(i).

"**Legal Proceeding**" means any litigation, action, arbitration, suit, hearing, claim or other similar proceeding, before or by any Governmental Authority.

"**Liability**" or "**Liabilities**" means any and all debts, liabilities and/or obligations of any type, nature or description (whether known or unknown, asserted or unasserted, secured or unsecured, absolute or contingent, accrued or unaccrued, liquidated or unliquidated and whether due or to become due).

"**Lien**" means, whether arising by statute or otherwise, any mortgage, charge, pledge, security interest, lien, prior assignment, option, warrant, lease, sublease, right to possession, claim or other encumbrance, right or restriction which affects, by way of a conflicting ownership interest or otherwise, the right, title or interest in or to any property; provided that the term "Lien" shall not include restrictions on transfers of securities imposed by applicable state and federal Law.

"**Losses**" means all losses, damages, assessments, judgments, awards, fines, penalties, Taxes, interest, costs and expenses (including actual, reasonable out-of-pocket third party costs, fees and expenses of legal counsel and reasonable out-of-pocket third party costs, fees and expenses of investigation).

"**Material Adverse Effect**" means any circumstance, occurrence, change or effect that is materially adverse to (i) the Business, assets, financial condition or results of operations of the Company and the Subsidiaries, taken as a whole; provided, however, that the term "Material Adverse Effect" shall not include any change or effect that is or results from any of the following: (a) changes in Law or interpretations thereof, or regulatory policy or interpretation, by any Governmental Authority, (b) changes in GAAP, (c) changes in general economic conditions, and events or conditions generally affecting the industries in which the Company and the Subsidiaries operate, or (d) national or international hostilities, acts of terror or acts of war, in the case of clauses (a) and (c), which do not have a materially disproportionate effect on the Company or any of the Subsidiaries; or (ii) the ability of the Seller or the Company to timely consummate the transactions contemplated hereby or to perform their respective obligations under this Agreement and the Ancillary Agreements.

"**Material Contract**" has the meaning set forth in Section 3.2(m).

"**Most Recent Fiscal Year End**" has the meaning set forth in Section 3.2(g)(i).

"**Multiemployer Plan**" has the meaning set forth in Section 3.2(p)(ii)(G).

"**NYSPSC**" means the New York State Public Services Commission, a regulatory agency of the state of New York which, among other things, regulates rates, service, and certificates of public convenience and necessity that are issued and regulated by the NYSPSC to entities that own and/or operate water systems.

"**NYWSC**" has the meaning set forth in the recitals to this Agreement.

"**NYWSC Non-Represented Employees**" has the meaning set forth in Section 5.5(e)(iv)(B).

"**NYWSC Pension Plan**" has the meaning set forth in Section 5.5(e)(i).

"**NYWSC Post-2006 Non-Represented Retirees**" has the meaning set forth in Section 5.5(e)(iv)(B).

"NYWSC Retiree Welfare Plan" has the meaning set forth in Section 5.5(e)(iv)(A).

"**NYWSC VEBA**" has the meaning set forth in Section 5.5(e)(iv)(A).

"**Non-Controlling Party**" has the meaning set forth in Section 9.5(a).

"**Non-Disclosure Agreement**" has the meaning set forth in Section 5.3.

"**Notice**" has the meaning set forth in Section 2.3(b).

"**Notice Period**" has the meaning set forth in Section 2.3(b).

"**Ohio Purchase Agreement**" means the Stock Purchase Agreement by and among the Buyer, Ohio-American Water Company (a wholly-owned subsidiary of the Buyer), and Aqua Ohio, Inc. (a wholly-owned subsidiary of the Seller), dated of even date herewith, relating to the sale of all of the outstanding shares of capital stock of Ohio-American Water Company by the Buyer to Aqua Ohio, Inc.

"**Order**" means any award, decision, injunction, judgment, order, writ, decree, ruling, subpoena, or verdict entered, issued, made, or rendered by any court, administrative agency, other Governmental Authority, or by any arbitrator, each of which possesses competent jurisdiction.

"**Ordinary Course of Business**" means, with respect to the Company or any of the Subsidiaries, an action that is in the ordinary course of normal day-to-day operations of the Company or such Subsidiary, as applicable, consistent in nature, scope and magnitude with the past custom and practice of the Company or such Subsidiary in the operation of their respective Businesses.

"**Outside Date**" has the meaning set forth in Section 8.1(a).

"**Owned Real Property**" has the meaning set forth in Section 3.2(k)(i).

"**PCBs**" has the meaning set forth in Section 3.2(u)(x).

"**PUC**" means any state public utility commission, state public service commission, or similar state regulatory body.

"**Party**" or "**Parties**" has the meaning set forth in the preamble to this Agreement.

"**Pension Plan**" has the meaning set forth in Section 3.2(p)(ii)(H).

"**Permits**" has the meaning set forth in Section 3.2(q)(i).

"**Permitted Liens**" means (a) statutory Liens for Taxes not yet due and payable as of the Closing Date or which are being contested in good faith and by appropriate proceedings, (b) encumbrances in the nature of zoning restrictions, easements, rights or restrictions of record on the use of real property that do not materially impair the continued use of such property in the Business in the manner in which it is currently used, (c) Liens to secure obligations owed to landlords, lessors or renters under leases or rental agreements for the occupancy or use of real or personal property, (d) deposits or pledges made in connection with, or to secure payment of, worker's compensation, unemployment insurance, old age pension programs mandated under applicable Law or other social security regulations, (e) Liens in favor of carriers, warehousemen, mechanics and materialmen, Liens to secure claims for labor, material or supplies and other similar Liens incurred in the Ordinary Course of Business or being contested in good faith and by appropriate Legal Proceedings and for which reserves have been established on the consolidated financial statements of the Company and the Subsidiaries in accordance with GAAP, (f) Liens to secure Indebtedness that will be repaid and released or discharged at the Closing, (g) Intellectual Property licenses, and (h) Liens set forth in Section 1.1 of the Disclosure Schedule.

"**Person**" means any individual, trust, corporation, partnership, limited partnership, limited liability company, unincorporated association, joint venture, joint stock company, Governmental Authority or other entity.

"**Plan**" means: (i) each "employee benefit plan," as defined in Section 3(3) of ERISA, including any "multiemployer plan" as defined in Section 3(37) of ERISA, each determined without regard to whether such plan is subject to ERISA; and (ii) any other plan, fund, policy, program, arrangement or scheme, qualified or nonqualified that involves any pension, retirement, thrift, saving, profit sharing, welfare, wellness, medical, voluntary employees' beneficiary association or related trust, disability, group insurance, life insurance, severance pay, compensation, deferred compensation, flexible benefit, excess or supplemental benefit, vacation, summer hours, stock-related, stock option, phantom stock, supplemental unemployment, layoff, "golden parachute", retention, fringe benefit or incentives; in the case of (i) or (ii), which pertains to any employee, former employee, director, or officer of the Company or any of the Subsidiaries and (a) to which the Company or any of the Subsidiaries are or have been parties or sponsoring, participating or contributing employers or by which they are or have been bound as of the Effective Date, or (b) to which the Company or any of the Subsidiaries may otherwise have any Liability, whether direct or indirect (including any such plan or arrangement formerly maintained by or participated in or contributed to by the Company or any of the Subsidiaries).

"**Pre-Closing Period**" has the meaning set forth in Section 5.2.

"**Pre-Closing Tax Period**" means all taxable periods ending on or before the Closing Date or which relate to an event or transaction occurring on or before the Closing Date and, for any taxable period that includes (but does not end on) the Closing Date, the portion thereof occurring up to and through the end of the Closing Date.

"**Purchase Price**" has the meaning set forth in Section 2.1.

"**Release**" has the same meaning as defined in CERCLA at 42 U.S.C. § 9601(22).

"**Remedial Action**" means all action to (x) clean up, remove, treat or in any other way respond to any presence, Release or threat of Release of Hazardous Material; (y) prevent the Release or threat of Release, or minimize the further Release of any Hazardous Material so it does not endanger or threaten to endanger public or employee health or welfare or the environment; or (z) perform studies, investigation or monitoring necessary or required to investigate the foregoing.

"**Representatives**" means, with respect to any Person, such Person's officers, directors, employees, affiliates, partners, members, stockholders, financial or other advisors, attorneys, accountants and financing sources.

"**Resolution Period**" has the meaning set forth in Section 2.3(b).

"**Restricted Parties**" has the meaning set forth in Section 5.11.

"**Sea Cliff**" has the meaning set forth in the recitals to this Agreement.

"**Sea Cliff Employees**" has the meaning set forth in Section 5.5(e)(iv)(C).

"**Sea Cliff Retirees**" has the meaning set forth in Section 5.5(e)(iv)(C).

"**Seller**" has the meaning set forth in the preamble to this Agreement.

"**Seller Designee**" has the meaning set forth in Section 5.3(b).

"**Seller Indemnified Parties**" has the meaning set forth in Section 9.2.

"**Seller Marks**" has the meaning set forth in Section 5.4.

"**Seller's Tax Representative**" has the meaning set forth in Section 7.1(c)(i).

"**Stock**" means all of the issued and outstanding shares of capital stock of the Company owned by the Seller.

"**Straddle Period**" has the meaning set forth in Section 7.1(a).

"**Subsidiaries**" has the meaning set forth in the recitals to this Agreement.

"**Support Obligations**" has the meaning set forth in Section 5.6(a).

"**Tax**" or "**Taxes**" means any federal, state, local or foreign income, gross receipts, franchise, withholding, estimated, alternative minimum, add-on minimum, sales, use, transfer, registration, value added, ad valorem, excise, severance, stamp, occupation, premium, windfall profit, custom, duty, real property, personal property, capital stock, social security, employment, unemployment, disability, payroll, license, employee or other tax, including all interest, penalties and additions to tax with respect to any of the foregoing.

"**Tax Benefit**" means any refund of, credit for or reduction in, any Tax.

"**Tax Matter**" has the meaning set forth in Section 7.1(c)(i).

"**Tax Return**" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Terminated Contracts" has the meaning set forth in Section 5.8(a).

"**Third Party Claim**" has the meaning set forth in Section 9.5(a).

"**Transfer Taxes**" has the meaning set forth in Section 7.1(e).

"**Transition Services Agreement**" has the meaning set forth in Section 5.8(b).

"**WARN Act**" has the meaning set forth in Section 3.2(o)(iii).

1.2 Rules of Interpretation.

The Parties have jointly participated in the negotiation and drafting of this Agreement. In the event of an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumptions or burdens of proof shall arise favoring any Party by virtue of the authorship of any of the provisions of this Agreement. As used in this Agreement, the word "including" means without limitation, the word "or" is not exclusive and the words "herein," "hereof," "hereby," "hereto" and "hereunder" refer to this Agreement as a whole. Each defined term used in this Agreement shall have a comparable meaning when used in its plural or singular form. Unless the context otherwise requires, references herein: (a) to Articles, Sections, Exhibits and Schedules mean the Articles and Sections of and the Exhibits and Schedules attached to this Agreement, (b) to an agreement, instrument or document means such agreement, instrument or document as amended, supplemented and modified from time to time to the extent permitted by the provisions thereof and not prohibited by this Agreement, and (c) to a Law means such Law as amended from time to time and includes any successor legislation thereto. The headings and captions used in this Agreement, or in any Schedule or Exhibit hereto, are for convenience of reference only and do not constitute a part of this Agreement and shall not be deemed to limit, characterize or in any way affect any provision of this Agreement or any Schedule or Exhibit hereto. Any capitalized terms used in any Schedule or Exhibit attached hereto and not otherwise defined therein shall have the meanings set forth in this Agreement. All amounts payable hereunder and set forth in this Agreement are expressed in U.S. dollars, and all references to dollars (or the symbol "$") contained herein shall be deemed to refer to U.S. dollars. Where any provision in this Agreement refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether the action in question is taken directly or indirectly by such Person.

ARTICLE II
PURCHASE AND SALE

2.1 Purchase and Sale. Subject to the provisions of this Agreement, on the Closing Date, the Buyer will purchase, and the Seller will sell, transfer and assign to the Buyer, free and clear of any and all Liens, the Stock, which constitutes 100% of the issued and outstanding capital stock of the Company. As consideration for the purchase of the Stock at the Closing, subject to the provisions of this Agreement and the adjustments and payments set forth in Section 2.2 and Section 2.3, the Buyer shall pay the Seller the aggregate amount of $42,171,000 (the "**Purchase Price**").

2.2 Payments at the Closing.

(a) Subject to adjustment pursuant to this Section 2.2 and Section 2.3, at the Closing, the Buyer shall pay the Estimated Payment payable to the Seller (i) by wire transfer of immediately available funds to an account or accounts designated in writing by the Seller or (ii) if wire transfer instructions are not provided at least two (2) Business Days prior to the Closing, by check payable in immediately available funds.

(b) Not less than four (4) Business Days prior to the Closing Date, the Seller shall provide the Buyer with a certificate (the "**Closing Certificate**") containing a good faith estimate of the Balance Sheet Adjustment as of the Closing Date (the "**Estimated Balance Sheet Adjustment**").

(c) The "**Estimated Payment**" shall be the dollar amount calculated as follows:

(i) the Purchase Price;

(ii) plus or minus the Estimated Balance Sheet Adjustment.

2.3 Post-Closing Adjustments.

(a) Within ninety (90) days after the Closing Date, the Buyer shall deliver to the Seller the Balance Sheet Adjustment as of the Closing Date (the "**Actual Balance Sheet Adjustment**").

(b) If the Seller has any objections to the Actual Balance Sheet Adjustment as prepared by the Buyer, the Seller shall, within thirty (30) Business Days after the Seller's receipt thereof (the "**Notice Period**"), give written notice (the "**Notice**") to the Buyer specifying in reasonable detail such objections and the basis therefore, and calculations which the Seller has determined in good faith are necessary to eliminate such objections. If the Seller does not deliver the Notice within the Notice Period, the Buyer's determination of the Actual Balance Sheet Adjustment shall be final, binding and conclusive on the Seller and the Buyer. If the Seller provides a Notice within the Notice Period, the Seller and the Buyer shall negotiate in good faith during the fifteen (15) Business Day period (the "**Resolution Period**") after the date of the Buyer's receipt of the Notice to resolve any disputes regarding the Actual Balance Sheet Adjustment.

(c) If the Seller and the Buyer are unable to resolve all such disputes within the Resolution Period, then within five (5) Business Days after the expiration of the Resolution Period, all unresolved disputes shall be submitted to Asher & Company, Ltd. (the "**Arbitrator**"), who shall be engaged to provide a final, binding and conclusive resolution of all such unresolved disputes within thirty (30) Business Days after such engagement. The Arbitrator shall act as an independent arbitrator to determine, based solely on the presentations by the Seller and the Buyer and not by independent review, only those issues that remain in dispute. Upon final resolution of all disputed items, the Arbitrator shall issue a report showing its final calculation of such disputed items. The determination of the Arbitrator shall be final, binding and conclusive on the Seller and the Buyer, and the fees and expenses of the Arbitrator shall be borne 50% by the Seller and 50% by the Buyer. In connection with the resolution of any dispute, each party (the Seller on one hand and the Buyer on the other) shall pay its own fees and expenses, including legal, accounting and consultant fees and expenses. Notwithstanding anything to the contrary in this Agreement, any disputes regarding the Actual Balance Sheet Adjustment shall be resolved as set forth in this Section 2.3.

(d) Within ten (10) Business Days of the final determination of the Actual Balance Sheet Adjustment in accordance with this Section 2.3, the resulting Closing Adjustment shall be paid in immediately available funds. If the Closing Adjustment is a positive number, the Closing Adjustment shall be paid by the Buyer to the Seller. If the Closing Adjustment is a negative number, the Closing Adjustment shall be paid by the Seller to the Buyer. Any Closing Adjustment shall be an adjustment to the Purchase Price.

2.4 The Closing. The closing of the purchase and sale of the Stock contemplated hereby (the "**Closing**") will take place commencing at 10:00 a.m. local time as promptly as practicable following, but not later than the third (3rd) Business Day following, the satisfaction or waiver of the conditions to the Closing set forth in Section 6.1, Section 6.2 and Section 6.3 (the "**Closing Conditions**"), at the offices of Reed Smith LLP, 2500 One Liberty Place, 1650 Market Street, Philadelphia, Pennsylvania 19103 (or at such other time or place as the Parties may agree). The date on which the Closing actually occurs is referred to herein as the "**Closing Date**." Subject to the provisions of Article VIII, the failure to consummate the Closing on the date and time determined pursuant to this Section 2.4 shall not result in termination of this Agreement and shall not relieve any Party to this Agreement of any obligation hereunder.

2.5 Closing Deliveries.

(a) At the Closing, the Seller and the Company, as applicable, will deliver or cause to be delivered to the Buyer the following items:

(i) original certificates evidencing all of the Stock, together with stock powers and assignments with respect thereto separate from such certificates signed by the Seller in a form reasonably satisfactory to the Buyer;

(ii) a certificate signed by an officer of the Company and the Seller, as applicable, to the effect that each of the conditions set forth in Sections 6.1(a) and 6.1(b) have been satisfied in all respects;

(iii) a certificate of the Seller certifying that the transactions contemplated hereby are exempt from withholding under Section 1445 of the Code;

(iv) resignations effective as of the Closing of the officers and directors of the Company and each of the Subsidiaries identified by the Buyer to the Seller in writing no less than ten (10) Business Days prior to the Closing;

(v) copies of the certificates of good standing of the Seller, the Company and each of the Subsidiaries issued on or within ten (10) days prior to the Closing Date by the Secretary of State (or comparable officer) of the jurisdiction of each such Party's organization;

(vi) copies of the certificates of incorporation (or formation) of the Seller, the Company and each of the Subsidiaries certified on or within ten (10) days prior to the Closing Date by the Secretary of State (or comparable officer) of the jurisdiction of each such Party's incorporation (or formation);

(vii) a certificate of the secretary or an assistant secretary of the Seller, dated as of the Closing Date, in form and substance reasonably satisfactory to the Buyer, including: (i) the resolutions of the board of directors or other authorizing body of the Seller authorizing the execution, delivery, and performance of this Agreement and the transactions contemplated hereby; and (ii) an incumbency certificate and signatures of the officers of the Seller executing this Agreement or any other agreement contemplated by this Agreement;

(viii) a certificate of the secretary or an assistant secretary of the Company, dated as of the Closing Date, in form and substance reasonably satisfactory to the Buyer, including: (i) a representation that there have been no amendments to the certificate of incorporation (or formation) of the Company since the date such document was obtained pursuant to clause (vi) above; (ii) the bylaws (or other governing documents) of the Company; and (iii) any resolutions of the board of directors or other authorizing body of the Company relating to this Agreement and the transactions contemplated hereby; and

(ix) copies of the consents set forth on Section 2.5(a)(ix) of the Disclosure Schedule.

(b) At the Closing, the Buyer will deliver or cause to be delivered to the Seller or other designated Person the following items:

(i) to the Seller, cash by wire transfer of immediately available funds to an account or accounts designated by the Seller in writing at least two (2) Business Days prior to the Closing, in an amount equal to the Estimated Payment;

(ii) a certificate of the secretary or an assistant secretary of the Buyer, dated as of the Closing Date, in form and substance reasonably satisfactory to the Seller, including: (i) the resolutions of the board of directors or other authorizing body (or a duly authorized committee thereof) of the Buyer authorizing the execution, delivery, and performance of this Agreement and the transactions contemplated hereby; and (ii) an incumbency certificate and signatures of the officers of the Buyer executing this Agreement or any other agreement contemplated by this Agreement; and

(iii) a certificate signed by an officer of the Buyer to the effect that each of the conditions specified in Sections 6.2(a) and 6.2(b) have been satisfied in all respects.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF THE SELLER, THE COMPANY AND THE SUBSIDIARIES

3.1 Representations and Warranties Concerning the Seller. As an inducement for the Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, the Seller represents and warrants to the Buyer as follows:

(a) *Ownership*. The Seller is the record owner of the Stock. The Seller has good and valid title to the Stock, free and clear of any Liens (other than Permitted Liens).

(b) *Organization and Authorization*. The Seller is a corporation duly organized, validly existing and in good standing under the Laws of the State of Texas, and has the full right, capacity, power and authority to execute and deliver this Agreement and all other agreements, documents and instruments relating hereto (the "**Ancillary Agreements**") entered into by the Seller, and to perform the Seller's obligations hereunder and thereunder. This Agreement and each of the Ancillary Agreements, as applicable, to which the Seller is a party have been or will be duly executed and delivered by the Seller and, assuming the due authorization, execution and delivery by each of the other parties thereto, constitutes or will constitute a legal, valid and binding obligation of the Seller, enforceable against the Seller in accordance with their respective terms except (i) as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or similar Laws now or hereafter in effect relating to creditors' rights generally and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any Legal Proceeding therefor may be brought (clauses (i) and (ii) collectively, the "**Bankruptcy and Equity Exceptions**").

(c) *Non-Contravention*. Except as set forth in Section 3.1(c) of the Disclosure Schedule, the execution, delivery and performance of this Agreement and the Ancillary Agreements by the Seller, and the consummation of the transactions contemplated hereby or thereby, do not and will not conflict with or result in any breach of, constitute a default under, result in a violation of, result in the creation of any Lien, other than Permitted Liens, upon the Stock or any other assets of the Seller, or require any authorization, consent, approval, exemption or other action by or notice to any Governmental Authority or other Person, under (i) the provisions of the Seller's organizational documents, (ii) any Contract to which the Seller is a party, or (iii) or any Law applicable to the Seller, except, in the case of clauses (ii) and (iii), to the extent such conflict, breach, default, violation, Lien or requirement would not, individually or in the aggregate, have a Material Adverse Effect.

(d) *Governmental Consents*. Except for (i) filings required by the HSR Act, (ii) the required approvals, consents, authorizations, permits, filings or notifications of any Governmental Authority set forth in Section 3.1(d) of the Disclosure Schedule, or (iii) where the failure to obtain such approvals, consents, authorizations or permits, or to make such filings or notifications, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the ability of the Seller to consummate the Closing hereunder in accordance with this Agreement or to perform its obligations under this Agreement and the Ancillary Agreements, no approval, consent, authorization or other order of, declaration to, or filing with, any Governmental Authority by or on behalf of the Seller is required for or in connection with the authorization, execution, delivery and performance by the Seller of its obligations under this Agreement and the Ancillary Agreements.

(e) *Litigation*. There is no Legal Proceeding pending or, to the knowledge of the Seller, threatened against the Seller which (i) if determined adversely would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the ability of the Seller to perform its obligations under this Agreement or the Ancillary Agreements to which it is a party or (ii) seeks rescission of or seeks to enjoin the consummation of this Agreement or any of the transactions contemplated hereby.

(f) *Brokers*. Except as set forth in Section 3.1(f) of the Disclosure Schedule, the Seller has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or the Ancillary Agreements for which the Buyer, the Company or any of the Subsidiaries could become liable or otherwise obligated.

3.2 Representations and Warranties Concerning the Company and the Subsidiaries. As an inducement for the Buyer to enter into this Agreement and to consummate the transactions contemplated hereby, the Seller and the Company, jointly and severally, represent and warrant to the Buyer as follows:

(a) *Organization, Qualification and Authority*. The Company and each Subsidiary is a corporation duly organized, validly existing and in good standing under the Laws of the State of New York. The Company and each Subsidiary has all requisite corporate power and authority to carry on the Business as presently conducted and to own and use its properties, except as would not have, individually or in the aggregate, a Material Adverse Effect. True and correct copies of each of the Company's and the Subsidiaries' organizational documents, in each case as amended to date, have been provided to the Buyer. The minute books (containing the records of meetings of the stockholders, the board of directors, and any committees of the board of directors) of the Company and each Subsidiary are correct and complete in all material respects. None of the Company or any of the Subsidiaries is in default under, or in violation of, any material provision of its organizational documents. The Company and each Subsidiary is qualified to conduct business and is in good standing under the laws of each jurisdiction wherein the nature of the Business or its respective ownership of property requires it to be so qualified, except where the failure to be so qualified would not have, individually or in the aggregate, a Material Adverse Effect.

(b) *Authorization of Transaction*. The execution, delivery and performance by the Company of this Agreement and the Ancillary Agreements to which it is a party and the consummation of the transactions contemplated hereby and thereby, have been duly and validly authorized by all requisite corporate action of the Company, and no other proceedings on the Company's part are necessary to authorize the execution, delivery or performance of this Agreement or the Ancillary Agreements. This Agreement and each of the Ancillary Agreements, as applicable, to which the Company is a party has been or will be duly executed and delivered by the Company and, assuming the due authorization, execution and delivery by the other parties hereto or thereto, constitutes or will constitute a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the Bankruptcy and Equity Exceptions.

(c) *Non-Contravention*. Except as set forth in Section 3.2(c) of the Disclosure Schedule, the execution, delivery and performance of this Agreement and the Ancillary Agreements by the Company, and the consummation of the transactions contemplated hereby or thereby, do not and will not conflict with or result in any breach of, constitute a default under, result in a violation of, result in the creation of any Lien, other than Permitted Liens, upon the Stock or any assets of the Company, or require any authorization, consent, approval, exemption or other action by or notice to any Governmental Authority or other Person, under (i) the provisions of the Company's or any Subsidiaries' organizational documents, (ii) any Contract to which the Company or any Subsidiary is a party that is material to the conduct of the Business, or (iii) any Law applicable to the Company or any of the Subsidiaries, except, in the case of clauses (ii) or (iii), to the extent such conflict, breach, default, violation, Lien or requirement would not, individually or in the aggregate, have a Material Adverse Effect.

(d) *Capitalization*. Section 3.2(d) of the Disclosure Schedule sets forth (i) the number of authorized shares of capital stock or other authorized equity securities of the Company and each Subsidiary, (ii) the number of issued and outstanding shares of capital stock of the Company, all of which are owned by the Seller and are validly issued, fully paid and nonassessable, and (iii) the number of issued and outstanding shares of capital stock of each of the Subsidiaries, all of which are owned by the Company and are validly issued, fully paid and nonassessable. Except as set forth in Section 3.2(d) of the Disclosure Schedule, there are no currently outstanding or authorized options, warrants, rights, contracts, rights of first refusal or first offer, calls, puts, rights to subscribe, conversion rights, or other agreements or commitments to which the Company or any of the Subsidiaries is a party or by which it is bound providing for the issuance, disposition, or acquisition of any of its equity securities.

(e) *No Subsidiaries*. The Company does not hold or own any stock, partnership, interest, joint venture interest or other equity ownership interest in any Person other than the Subsidiaries and none of the Subsidiaries hold or own any stock, partnership, interest, joint venture interest or other equity ownership interest in any Person.

(f) *Governmental Consents*. Except for (i) filings required by the HSR Act, (ii) the required approvals, consents, authorizations, permits, filings or notifications of any Governmental Authority set forth in Section 3.2(f) of the Disclosure Schedule, or (iii) where the failure to obtain such approvals, consents, authorizations or permits, or to make such filings or notifications, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, no approval, consent, or authorization or other order of, declaration to, or filing with, any Governmental Authority by or on behalf of the Company or any of the Subsidiaries is required for or in connection with the authorization, execution, delivery and performance by the Company of its obligations under this Agreement and the Ancillary Agreements.

(g) *Financial Statements; Books and Records*.

(i) The Seller has made available to the Buyer, correct and complete copies of the following (collectively, the "**Financial Statements**"): (A) audited balance sheets and related consolidated statements of income, changes in shareholders' equity and cash flows of the Company and the Subsidiaries as of and for each of the calendar years ended December 31, 2010 and 2009 (with December 31, 2010 being the "**Most Recent Fiscal Year End**") (collectively, the "**Audited Financial Statements**"), and (B) the unaudited consolidated balance sheet (the "**Latest Balance Sheet**") as of March 31, 2011 (the "**Latest Balance Sheet Date**") and related consolidated statement of income of the Company and the Subsidiaries for the three (3) month period ending on the Latest Balance Sheet Date (the "**Interim Financial Statements**").

(ii) The Audited Financial Statements are correct and complete, have been prepared in accordance with GAAP, consistently applied throughout the periods indicated, and fairly present in all material respects the consolidated financial condition and results of operations and cash flows of the Company and the Subsidiaries as of the respective dates thereof and for the periods referred to therein. The Interim Financial Statements are correct and complete, have been prepared in accordance with GAAP, consistently applied throughout the period indicated, and fairly present in all material respects the consolidated financial condition and results of operations and cash flows of the Company and the Subsidiaries as of the date thereof and for the period referred to therein, except that the Interim Financial Statements are subject to normal year-end adjustments (none of which are reasonably expected to be material) and lack the footnote disclosure otherwise required by GAAP.

(h) *Change in Condition*. Except as set forth in Section 3.2(h) of the Disclosure Schedule, since the Latest Balance Sheet Date, the Business has been conducted in the Ordinary Course of Business, except in connection with any process relating to the transactions contemplated herein, including entering into this Agreement, and there have not been any of the following:

(i) any Material Adverse Effect, individually or in the aggregate;

(ii) any material change in the salaries or other compensation payable or to become payable to, or any advance (excluding advances for ordinary business expenses) or loan to, any employee, or material change or material addition to, or material modification of, other benefits (including any bonus, profit-sharing, pension or other plan in which any of the employees participate) to which any of the employees may be entitled, other than in any such case (A) in the Ordinary Course of Business consistent with past practice, (B) as required by Law, or (C) as required by any collective bargaining agreement, if any;

(iii) any change by the Company or any of the Subsidiaries in their respective method of accounting or keeping its books of account or accounting practices except as required by GAAP;

(iv) any sale, transfer or other disposition of any assets, properties or right of the Company or any of the Subsidiaries, except in the Ordinary Course of Business.

(v) declared, set aside or paid a dividend or made any other distribution with respect to any class of capital stock of the Company or any of the Subsidiaries;

(vi) made any change or amendment in either the Company's or any of the Subsidiaries' organizational documents;

(vii) (A) issued or sold any securities of the Company or any of the Subsidiaries; (B) acquired, directly or indirectly, by redemption or otherwise, any securities of the Company or any of the Subsidiaries; or (C) granted or entered into any options, warrants, calls or commitments of any kind with respect to any securities of the Company or any of the Subsidiaries;

(viii) except in the Ordinary Course of Business, incurred any material Liabilities or discharged or satisfied any Lien on any material asset of the Company or any of the Subsidiaries, or paid any material Liabilities or failed to pay or discharge when due any material Liabilities of which the failure to pay or discharge has caused or will cause any material damage or risk of material loss to the Company or any of the Subsidiaries or their respective assets or properties;

(ix) except in the Ordinary Course of Business, sold, assigned or transferred, or in any manner encumbered, any of the material assets or properties of the Company or any of the Subsidiaries; or

(x) made or suffered any amendment or termination of, or caused a lapse of, any material Contract or any Permit to which the Company or any of the Subsidiaries is a party or by which it is bound.

(i) *Undisclosed Liabilities*. None of the Company or any of the Subsidiaries has any Liabilities of the type required to be reflected on a consolidated balance sheet of the Company and the Subsidiaries prepared in accordance with GAAP, except for those (i) Liabilities reflected in or reserved against in the Financial Statements, (ii) Liabilities incurred after the Latest Balance Sheet Date in the Ordinary Course of Business, (iii) reflected in the Disclosure Schedules, or (iv) arising under or incurred in connection with this Agreement or the transactions contemplated hereby.

(j) *Tax Matters*.

(i) Except as set forth in Section 3.2(j) of the Disclosure Schedule, (A) the Company and each of the Subsidiaries has filed all Tax Returns that it is required to file under applicable Laws, (B) all such Tax Returns were correct and complete in all respects and were prepared in substantial compliance with all applicable Laws, (C) all Taxes due and owing by the Company or the Subsidiaries have been paid or reserved in the Financial Statements, (D) none of the Company or any of the Subsidiaries is currently the beneficiary of any extension of time within which to file any Tax Return, and (E) there are no Liens, other than Permitted Liens, on any of the assets of the Company or the Subsidiaries that arose in connection with any failure to pay any Tax when due.

(ii) Except as set forth in Section 3.2(j) of the Disclosure Schedule, there is no dispute or claim concerning any Tax Liability of the Company or any of the Subsidiaries either (A) claimed or raised by any taxing authority in writing or (B) as to which the Company has Knowledge. The Company has previously made available to the Buyer correct copies of all federal and state corporate income Tax Returns filed with respect to the Company or any of the Subsidiaries for all taxable periods ended after January 1, 2007. Except as set forth in Section 3.2(j) of the Disclosure Schedule, none of such Tax Returns have been audited, and none currently are the subject of audit, and there are no examination reports or statements of deficiencies assessed against or agreed to by the Company or any of the Subsidiaries for such taxable periods. Except as set forth in Section 3.2(j) of the Disclosure Schedule, none of the Company or any of the Subsidiaries has, during the past seven (7) years, been audited by the IRS, the Department of Revenue of the state in which it was organized or has engaged in business activities, or any other taxing authority (whether foreign or domestic with respect to any amount of Taxes).

(iii) None of the Company or any of the Subsidiaries has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to any Tax assessment or deficiency.

(k) *Title and Condition of Properties.*

(i) Real Property. Section 3.2(k)(i) of the Disclosure Schedule sets forth a true and correct list of all real property owned by the Company or any of the Subsidiaries (collectively, the "**Owned Real Property**"). Except as set forth in Section 3.2(k)(i) of the Disclosure Schedule, as of the Effective Date, to the Knowledge of the Company, each of the Company and the Subsidiaries has, or will have at Closing, good and marketable title in and to all of the Owned Real Property, free and clear of all Liens, other than Permitted Liens. Section 3.2(k)(i) of the Disclosure Schedule also sets forth a true and correct list of all real property that is leased, subleased, or licensed by, or for which a right to use or occupy has been granted to, the Company or any of the Subsidiaries (each, a "**Leased Real Property**"). The Company has made available to the Buyer a correct and complete copy of each lease, sublease, license or other contract, as amended to date (each, a "**Lease**", and collectively, the "**Leases**") currently in effect under which any Leased Real Property is leased, subleased, or licensed by, or for which a right to use or occupy has been granted to the Company or any of the Subsidiaries. The Company or one of the Subsidiaries has a valid leasehold interest in the Leased Real Property. Except as set forth on Section 3.2(k)(i) of the Disclosure Schedule, none of the Company, the Subsidiaries, or, to the Knowledge of the Company, any other party to any Lease, is in material breach or default, and no event has occurred (including the failure to obtain any consent) which, with notice or lapse of time or both, would constitute a breach or default under or permit termination, modification, or acceleration of rents under, any Lease.

(ii) Condemnation. Except as set forth in Section 3.2(k)(ii) of the Disclosure Schedule, there is no condemnation, expropriation or other Legal Proceeding in eminent domain pending or, to the Knowledge of the Company, threatened, affecting any material parcel of Owned Real Property or Leased Real Property or any material portion thereof or interest therein.

(iii) Title to Assets. The Company or one of the Subsidiaries own good and marketable title, free and clear of all Liens, other than Permitted Liens, to all of the material personal property and material assets reflected on the Latest Balance Sheet or acquired by the Company or one of the Subsidiaries after the Latest Balance Sheet Date, except for assets which have been sold or otherwise disposed of since the Latest Balance Sheet Date in the Ordinary Course of Business.

(iv) Supply of Utilities. Except as set forth on Section 3.2(k)(iv) of the Disclosure Schedule, there are no actions or Legal Proceedings pending or, to the Company's Knowledge, threatened against the Company or any of the Subsidiaries, that would adversely affect the supply of electricity, gas, coal or sewer to either the Owned Real Property or the Leased Real Property.

(v) Access. Each parcel of the Owned Real Property and Leased Real Property has physical and, to the Company's Knowledge, legal vehicular or pedestrian access to and from public roadways as may be reasonably necessary to the operation of the Business. To the Company's Knowledge, no fact or condition exists which would result in the termination of (A) the current access from each parcel of the Owned Real Property and Leased Real Property, and (B) continued use, operation, maintenance, repair and replacement of all existing and currently committed water lines used by the Company or the Subsidiaries in connection with the Business, except where such termination would not have, individually or in the aggregate, a Material Adverse Effect.

(vi) Condition and Sufficiency. Except as set forth on Section 3.2(k)(vi) of the Disclosure Schedule, the buildings, machinery, equipment, and other tangible assets owned or leased by the Company or the Subsidiaries are sufficient to carry on the Business as it is currently conducted. Each material tangible asset is in normal operating condition and reasonable repair (subject to normal wear and tear) and has been maintained in accordance with normal industry practice.

(l) *Intellectual Property*.

(i) Section 3.2(l)(i) of the Disclosure Schedule lists all registered Intellectual Property that is currently owned by or filed in the name of the Company or one of the Subsidiaries, and all material unregistered Intellectual Property owned by the Company or one of the Subsidiaries (collectively, the "**Company Intellectual Property**"). All such registrations are in full force and effect, and have not expired or been cancelled.

(ii) Section 3.2(l)(ii) of the Disclosure Schedule lists all (A) software developed for or by the Company or one of the Subsidiaries and all of the third-party software used by the Company or one of the Subsidiaries in the operation of their respective Businesses, other than off-the-shelf commercially available software applications that have not been specifically customized for the Business in any material respect, and (B) of the Company's or the Subsidiaries' permissions and licenses to use the Intellectual Property of other Persons (including software and computer programs other than off-the-shelf commercially available software applications that have not been specifically customized for the Business in any material respect).

(iii) None of the Company or any of the Subsidiaries is a party to any Legal Proceeding which constitutes a claim of infringement, violation or misappropriation for the operation of the Business by the Company or one of the Subsidiaries of any Intellectual Property of any third party, and to the Knowledge of the Company, no such Legal Proceeding is threatened. To the Knowledge of the Company, the Business as presently conducted does not infringe or misappropriate the Intellectual Property of any third party. To the Knowledge of the Company, no third party is currently infringing upon, interfering with, misappropriating or otherwise conflicting with any item of Company Intellectual Property.

(iv) The Company and each of the Subsidiaries has (A) taken all necessary action and has appropriate policies and internal procedures (as reasonably necessary and/or as required by applicable Law) to maintain and protect all of its respective Company Intellectual Property, including the personal information of any third parties; and (B) complied with all applicable Laws that pertain to privacy and confidentiality of any third-party information, except where such non-compliance would not have, individually or in the aggregate, a Material Adverse Effect.

(v) To the Company's Knowledge, the Data is (A) materially accurate, correct and complete, and (B) in compliance in all material respects with the Company's or the Subsidiaries' respective specifications for such Data.

(m) *Contracts*. Section 3.2(m) of the Disclosure Schedule lists each of the following Contracts to which the Company or any Subsidiary is a party (each a "**Material Contract**"):

(i) any material arrangement concerning a partnership or joint venture;

(ii) any arrangement that prohibits either the Company or any of the Subsidiaries from competing in any line of business or with any Person or in any geographical area;

(iii) any Contract or group of related Contracts with the same party (or group of related parties) (A) requiring payments after the Effective Date to or by the Company or any of the Subsidiaries of more than $100,000 and (B) not terminable by the Company or one of the Subsidiaries on ninety (90) days or less notice;

(iv) any Contract relating to the pending acquisition or disposition of any corporation, partnership or other business organization or division thereof or collection of assets constituting all or substantially all of a business or business unit (whether by merger, sale of stock, sale of assets or otherwise);

(v) any Contract under which either the Company or any of the Subsidiaries is, or may become, obligated to pay to any employee (A) any severance pay or (B) any bonus or other special compensation obligations which would become payable by reason of the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby;

(vi) (A) any employment agreement or consulting agreement with an employee or (B) any agreement with a consultant whose annual compensation exceeded $50,000 in 2010 or whose annual compensations is expected to exceed $50,000 in 2011;

(vii) any Contracts for the bulk or wholesale supply of water to or by the Company or any of the Subsidiaries; or

(viii) any other arrangement or group of related arrangements that are material to the conduct of the Business.

The Company has made available to the Buyer a correct and complete copy of each Material Contract. With respect to each Material Contract: (A) it is a legal, valid, binding and enforceable obligation of the Company or the applicable Subsidiary, as the case may be, subject to the Bankruptcy and Equity Exceptions; and (B) none of the Company, the Subsidiaries or, to the Company's Knowledge, any other party to any Contract to which either the Company or one of the Subsidiaries is a party, is in material breach or default (including, with respect to any express or implied warranty), under any such Contract. None of the Company or any of the Subsidiaries is a party to any material oral Contract, license, sublicense, mortgage, purchase order, indenture, loan agreement, lease, sublease, agreement or instrument.

(n) *Litigation*. All pending Legal Proceedings involving the Company or any of the Subsidiaries are set forth in Section 3.2(n) of the Disclosure Schedule. Except as set forth in Section 3.2(n) of the Disclosure Schedule, there is no Legal Proceeding pending or, to the Knowledge of the Company, threatened against the Company or any of the Subsidiaries which, (i) if determined adversely would result in losses and expenses (including reasonable expenses of counsel) that would, individually or in the aggregate, be material to the Company or the applicable Subsidiary, as applicable, (ii) if determined adversely would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on the ability of the Company to perform its obligations under this Agreement or the Ancillary Agreements to which it is a party, or (iii) seeks rescission of or seeks to enjoin the consummation of this Agreement or any of the transactions contemplated hereby.

(o) *Employees; Employment Matters*. Except as set forth on Section 3.2(o) of the Disclosure Schedule:

(i) none of the Company or any of the Subsidiaries is a party to or bound by any collective bargaining agreement, labor Contract, or other oral or written agreement or understanding with a labor organization or labor union and, to the Knowledge of the Company, no union organizing or decertification efforts are underway (whether or not now threatened). During the three (3) year period ending on the Closing Date, with respect to the Company or any of the Subsidiaries, no claim has been filed with any Governmental Authority alleging that either the Company or any of the Subsidiaries has violated any Law related to employment or termination of employment, employment policies or practices, terms and conditions of employment, compensation, labor or employee relations, equal employment opportunity, and fair employment practices, whistle-blowing, retaliation, or employee safety or health nor, to the Knowledge of the Company, is any such claim now threatened. To the Knowledge of the Company, no executive or manager of the Company or any of the Subsidiaries has given written notice to the Seller, the Company or any of the Subsidiaries, of any present intention to terminate his or her employment, except for those directors and officers resigning pursuant to Section 2.5(a)(iv) herein;

(ii) copies of all currently applicable collective bargaining agreements have been made available to the Buyer; and

(iii) none of the Company's or any Subsidiary's employees have suffered an "employment loss" (as defined in the Worker Adjustment and Retraining Notification Act, as codified at 29 U.S.C. §§ 2102-2109, as amended from time to time (the "**WARN Act**")) within six (6) months prior to the Effective Date.

(p) *Employee Benefit Plans*.

(i) Section 3.2(p)(i) of the Disclosure Schedule (A) lists each Plan that the Seller, the Company or any of the Subsidiaries maintains, to which the Seller, the Company or any of the Subsidiaries contributes or has any obligation to contribute, or with respect to which the Company or any of the Subsidiaries has any actual or potential Liability; and (B) states which, if any of the Plans provide or promise welfare benefits or retirement benefits to any employees or former employees of the Company or any of the Subsidiaries.

(ii) Except as set forth in Section 3.2(p)(ii) of the Disclosure Schedule:

(A) each Plan is, in terms and operation, in compliance in all material respects with the Plan documents and all applicable Laws, or if not, would not result in Liability to the Company or any of the Subsidiaries;

(B) there are no pending, unresolved or, to the Company's Knowledge, threatened private or governmental actions, claims or Legal Proceedings with respect to any Plan (other than claims in the ordinary course) which could result in any material Liability to the Company or any of the Subsidiaries;

(C) all of the Plans covering Applicable Employees which are intended to be Tax-qualified have received a favorable determination or opinion letter from the IRS, as applicable, or a timely application for such letter is pending or will be timely made during the applicable IRS filing cycle and to the Company's Knowledge nothing material has occurred since the date of any previous determination that would adversely affect the qualified status of any such Plan;

(D) timely notice was provided to the Department of Labor of the existence of all Plans covering the Company's or any Subsidiary's employees which are or were intended to be ERISA-exempt top hat plans in accordance with applicable ERISA regulations;

(E) all required reports and descriptions (including Form 5500 annual reports, summary annual reports and annual funding notices, and summary plan descriptions) have been timely filed (including filed with an extension or through a governmental compliance program) and/or distributed in accordance with the applicable requirements of ERISA and the Code with respect to each such Plan, or if not, would not result in material Liability to the Company or any of the Subsidiaries;

(F) none of the Plans covering Applicable Employees are multiple employer plans or multiple employer welfare benefit arrangements;

(G) during the past six (6) years, none of the Company or any of the Subsidiaries (A) has maintained, adopted, contributed or been required to contribute to, or otherwise participated in any "**Multiemployer Plan**" (as defined in Section 3(37) of ERISA) and (B) has any actual or potential Liability attributable to any Multiemployer Plans;

(H) no Plan that is a "**Pension Plan**" (as defined in Section 3(2) of ERISA) subject to Title IV of ERISA or Sections 412 or 430 of the Code is in at-risk status as defined under Section 430(i)(4) of the Code or has failed to make any required minimum contribution, as defined in Section 430 of the Code or Section 303 of ERISA and there has been no waived funding deficiency within the meaning of Section 412 of the Code or Section 303 of ERISA and none of the Company or any of the Subsidiaries has Liability with respect to any terminated Pension Plan;

(I) the consummation of the transactions contemplated herein will not, separately or together with any other event, entitle any employee, officer or director of the Company or any of the Subsidiaries to severance pay or any other payment or compensation, or accelerate the time of payment or vesting of, or increase the amount of, compensation due to any such employee, officer or director;

(J) all Plans subject to Section 409A of the Code which cover any service provider to the Company or any of the Subsidiaries are in documentary and operational compliance in all material respects with the requirements of Section 409A of the Code;

(K) except as otherwise required by a collective bargaining agreement, the benefits provided under each Plan covering Applicable Employees and former employees of the Company and each of the Subsidiaries, including, any Plan providing welfare benefits to retirees, may, without liability, be amended, terminated or otherwise discontinued;

(L) there are no existing or pending workers' compensation claims with respect to any Applicable Employees; and

(M) copies of all current Plan documents covering the Applicable Employees have been made available to the Buyer, along with summary plan descriptions, the most recent Form 5500 for each of the Plans and the most recent favorable determination or opinion letter, where applicable.

(q) *Permits and Approvals; Drinking Water*.

(i) Section 3.2(q)(i) of the Disclosure Schedule lists all material governmental, regulatory and industry licenses, permits, certifications and approvals of any Governmental Authority necessary to or used in the Business as presently conducted (the "**Permits**") other than Permits under applicable Environmental Laws. All such listed Permits are in full force and effect except where the lack of any such Permit to be in full force or effect would not have, individually or in the aggregate, a Material Adverse Effect. There are no material violations by the Company or any of the Subsidiaries of, or any claims or Legal Proceedings, pending or, to the Company's Knowledge, threatened, challenging the validity of or seeking to discontinue, any such Permits or alleging material violations of such Permits. Section 3.2(q)(i) of the Disclosure Schedule also lists all applications for Permits or Permit extensions pending before any Governmental Authority.

(ii) Except as set forth in Section 3.2(q)(ii) of the Disclosure Schedule, (A) the drinking water supplied by the Company and each of the Subsidiaries to their respective customers is and has been in compliance in all material respects with all applicable federal and state primary drinking water standards, and (B) the Company and each of the Subsidiaries has all rights necessary to extract and deliver water to its respective customers pursuant to existing agreements or applicable Law, and none of the Company or any of the Subsidiaries has reason to believe that any such rights will be lost, revoked or compromised or will not be satisfied.

(r) *Compliance with Laws; PUC*.

(i) The Company, each of the Subsidiaries and each of their respective facilities have been and are in compliance in all material respects with all applicable Laws, and no written notice, claim, charge, complaint, action, suit, Legal Proceeding, investigation or hearing has been received by the Company or any of the Subsidiaries, or, to the Knowledge of the Company, filed, commenced or threatened against the Company or any of the Subsidiaries alleging any such violation. This Section 3.2(r)(i) shall not apply to Taxes which are exclusively addressed in Section 3.2(j).

(ii) Section 3.2(r)(i) of the Disclosure Schedule contains a true and complete list of each jurisdiction in which each of the Company or any of the Subsidiaries is subject to regulation as a public utility or public service company (or similar designation) by any PUC. Except as set forth on Section 3.2(r)(ii) of the Disclosure Schedule, all material filings required to be made by the Company or any of the Subsidiaries since January 1, 2007, under all applicable Laws of such jurisdictions related to the regulation of public utilities or public service company have been filed with the appropriate PUC or other Governmental Authority.

(s) *Brokers*. None of the Company or the Subsidiaries have any Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or the Ancillary Agreements for which the Buyer could become liable or otherwise obligated.

(t) *Affiliate Transactions*. Except as set forth in Section 3.2(t) of the Disclosure Schedule, none of the Company or any of the Subsidiaries is currently a party to any material transaction with an Affiliate other than payments of compensation and expense reimbursement to the Company's or any of the Subsidiaries' respective directors and officers in the Ordinary Course of Business.

(u) *Environmental*. Except as set forth in Section 3.2(u) of the Disclosure Schedule, or as would not cause, individually or in the aggregate, a Material Adverse Effect:

(i) the Company and each of the Subsidiaries is and has been at all times in compliance with all applicable Environmental Laws and is in possession of, and in compliance with, all Permits relating to Environmental Laws necessary or legally required to carry on and conduct the Business as presently conducted, and a complete list of such Permits is listed in Section 3.2(u)(i) of the Disclosure Schedule, and all such Permits are in full force and effect, and each of the Company and the Subsidiaries has made timely application for renewals of all such Permits as required by applicable Law;

(ii) no written notice, demand, or claim has been received by or served on the Company or any of the Subsidiaries, nor to the Knowledge of the Company, on any current or previous owner, manager or tenant of the Owned Real Property or Leased Real Property, from any Person claiming or asserting any violation of or potential Liability or Liability under any Environmental Laws, or demanding payment, contribution, indemnification, remedial action, removal action or any other action or inaction with respect to any actual or alleged environmental damage or injury to persons, property or natural resources;

(iii) none of the Company or any of the Subsidiaries has, nor to the Knowledge of the Company has any third party, spilled, discharged or Released Hazardous Materials on, at, about, under or from the Leased Real Property or Owned Real Property including any that has resulted or could result in any Liability under Environmental Laws;

(iv) the Company has made available to the Buyer copies of all environmental studies, reports, data and assessments or investigations, including "Phase I" and "Phase II" reports, related to the environmental condition or compliance status of the Leased Real Property and Owned Real Property, or other properties for which either the Company or any of the Subsidiaries may have Liability, which have been conducted by or on behalf of the Company or any of the Subsidiaries or that are otherwise in the Company's or any of the Subsidiaries' possession or control (specifically excluding any environmental audits performed by the Seller), and a complete listing of all such materials made available is set forth in Section 3.2(u)(iv) of the Disclosure Schedule;

(v) none of the Company or any of the Subsidiaries has discharged or disposed of, or arranged for the disposal of, or Released any Hazardous Material, other than in conformity with Environmental Law, at any Owned Real Property or Leased Real Property, or, in connection with the Business, at any other facility, location, or other site;

(vi) none of the Company or any of the Subsidiaries has received any written notice or written request for information, notice of claim, demand or notification that it is or may be potentially responsible with respect to any investigation or Remedial Action relating to Hazardous Materials, and to the Company's Knowledge, none of the Company or any of the Subsidiaries has been designated a potentially responsible party for Remedial Action, in connection with any Owned Real Property or Leased Real Property, with respect to the Business, at any other facility, location, or other site;

(vii) except for such use or storage of Hazardous Material as is incidental to the conduct of the Business, which use and storage is or has been in compliance with Environmental Laws in all respects, and which use and storage has not caused any condition in violation of Environmental Laws or that requires Remedial Action, no Owned Real Property or Leased Real Property has been used by the Company or any of the Subsidiaries for the storage, treatment, generation, processing, production or disposal of any Hazardous Material or as a landfill or other waste disposal site in violation of any Environmental Law;

(viii) underground storage tanks are not presently located on or under any Owned Real Property or Leased Real Property or, to the Company's Knowledge, in connection with the Business at any other facility, location or other site;

(ix) with the exception of any claim not yet served upon or otherwise asserted against the Company or any of the Subsidiaries by a Person not a party to this Agreement, there are no pending or unresolved claims against the Company, any of the Subsidiaries, or the Business for investigatory costs, cleanup, removal, remedial or response costs, or natural resource damages arising out of any Releases or threat of Release of any Hazardous Material at any Owned Real Property or Leased Real Property or, with respect to the Business or at any other facility, location or other site;

(x) no polychlorinated biphenyls ("**PCBs**") or asbestos-containing materials are located at or in any Owned Real Property or Leased Real Property, or, to the Company's Knowledge, with respect to the Business at any other facility, location or other site, in violation of Environmental Laws or which require Remedial Action;

(xi) no assets of the Company or any of the Subsidiaries have come to be located at any site that is within a designated study area or that is listed or formally proposed for listing under CERCLA or, to the Knowledge of the Company, under the Comprehensive Environmental Response Corporation and Liability Information System ("**CERCLIS**"); and

(xii) to the Knowledge of the Company (which, for purposes of this Section 3.2(u)(iii) only, shall include the actual knowledge of the individuals listed in the definition of "Knowledge of the Company" only, without any reasonable inquiry), and apart from any facts and circumstances covered solely by representations made in Section 3.2(u)(i)-(xi), there are no facts or circumstances relating to environmental matters concerning the Owned Real Property or the Leased Real Property or the Business that are reasonably likely to lead to the assertion by any third person of any environmental Liabilities in the future against the Company, any of the Subsidiaries, or the Buyer.

Except as set forth in this Section 3.2(u), no representations or warranties are being made with respect to Hazardous Materials or Environmental Laws.

(v) *Insurance*. The insurance policies maintained by the Company and each of the Subsidiaries, or by the Seller for the benefit of the Company and the Subsidiaries, with respect to their amounts and types of coverage, are reasonably adequate to protect the insured properties against the insured risks, subject to reasonable deductibles, and the risks insured against are normal and customary for the industry. All such policies are listed in Section 3.2(v) of the Disclosure Schedule, are in full force and effect, and no notice of cancellation, termination or non-renewal has been received with respect to any such policy. No insurance carrier has notified the Seller, the Company or any of the Subsidiaries in writing that it has denied coverage for, or reserved the carrier's rights with respect to, any material claim submitted under any insurance policy.

(w) *Guaranties*. None of the Company or any of the Subsidiaries is a guarantor or otherwise liable for any Liability (including Indebtedness) of any other Person. There are no outstanding powers of attorney executed on behalf of the Company or any of the Subsidiaries.

(x) *Solvency*. None of the Company or any of the Subsidiaries has (i) proposed a compromise or arrangement for the benefit of creditors generally, (ii) had any petition in bankruptcy filed against it, (iii) filed a voluntary petition in bankruptcy, (iv) taken any action to file a voluntary petition in bankruptcy, liquidation or dissolution, or (v) is otherwise been unable to pay its debts generally as they become due.

3.3 No Implied Representations or Warranties. Except for the representations and warranties contained in this Article III, neither the Seller nor the Company nor any other Person acting on behalf of the Seller or the Company, make any representation or warranty, express or implied. Without limiting the foregoing, none of the Seller, the Company, or any of the Subsidiaries has made or makes any representation or warranty, express or implied, as to the condition, merchantability, suitability or fitness for any particular purpose of any water tanks, reservoirs, water works, plant and systems, purification and filtration systems, pumping stations, pumps, wells, mains, water pipes, hydrants, equipment, machinery, fixtures or improvements or any other assets of the Company or any of the Subsidiaries.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE BUYER

4.1 Representations and Warranties Concerning the Buyer. As an inducement for the Seller to enter into this Agreement and to consummate the transactions contemplated hereby, the Buyer represents and warrants to the Seller as follows:

(a) *Organization*. The Buyer is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware.

(b) *Authorization of Transaction*. The Buyer has all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which it is a party and to perform its obligations hereunder and thereunder. This Agreement and each of the Ancillary Agreements, as applicable, to which the Buyer is a party have been or will be duly executed and delivered by the Buyer and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitute legal, valid and binding obligations of the Buyer, enforceable against the Buyer in accordance with their respective terms, subject to the Bankruptcy and Equity Exceptions.

(c) *Non-Contravention*. The execution, delivery and performance of this Agreement and the Ancillary Agreements by the Buyer, and the consummation of the transactions contemplated hereby and thereby, do not and will not (i) violate or conflict in any way with any Law, (ii) violate or conflict in any way with any judgment, order, decree, stipulation, injunction, charge or other restriction of any Governmental Authority to which the Buyer is subject or any provision of its organizational documents, or (iii) conflict with, result in a breach of, constitute a default under (with or without notice or lapse of time, or both), result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under, any Contract to which the Buyer is a party or by which it is bound or to which any of its assets is subject.

(d) *Governmental Consents*. Except for (i) filings required by the HSR Act, (ii) the required approvals, consents, authorizations, permits, filings or notifications of any Governmental Authority as set forth in Section 4.1(d) of the Disclosure Schedule, or (iii) where the failure to obtain such consents, approvals, authorizations or permits, or to make such filings or notifications, would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of the Buyer to consummate the Closing hereunder in accordance with this Agreement or to perform its obligations under this Agreement and the Ancillary Agreements, no authorization, consent, approval or other order of, declaration to, or filing with, any Governmental Authority by or on behalf of the Buyer is required for or in connection with the authorization, execution, delivery and performance by the Buyer of its obligations under this Agreement and the Ancillary Agreements.

(e) *Litigation*. There is no Legal Proceeding pending or, to the knowledge of the Buyer, threatened against the Buyer which (i) if determined adversely would reasonably be expected to have, individually or in the aggregate, a material adverse effect on the ability of the Buyer to perform its obligations under this Agreement or the Ancillary Agreements to which it is a party or (ii) seeks rescission of or seeks to enjoin the consummation of this Agreement or any of the transactions contemplated hereby.

(f) *Brokers*. The Buyer has no Liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement or the Ancillary Agreements for which the Seller could become liable or otherwise obligated.

4.2 No Additional Representations, etc. The Buyer acknowledges that the Seller, the Company, the Subsidiaries, and their respective Affiliates, have not made nor shall they be deemed to have made, nor has the Buyer relied on, any representation, warranty, covenant or agreement, express or implied, with respect to the Company, the Subsidiaries, the Business or the transactions contemplated by this Agreement, other than those expressly set forth in this Agreement.

ARTICLE V
COVENANTS OF THE PARTIES

5.1 Regulatory Compliance, Consents, etc.

(a) Upon the terms and subject to the conditions set forth in this Agreement, each of the Buyer and the Seller shall use its reasonable best efforts to assist, consult with and cooperate with each other and any other parties in doing all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement, including using reasonable best efforts to accomplish the following: (i) the taking of all actions necessary to cause the conditions to the Closing to be satisfied as promptly as practicable, (ii) the obtaining of all actions, waivers, Permits, consents, approvals and authorizations from all third parties and all Governmental Authorities necessary or advisable to consummate, or in connection with, the transactions contemplated by this Agreement, (iii) the making of all necessary registrations and filings promptly with the appropriate Governmental Authorities, and (iv) the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to fully carry out the purposes of, this Agreement. Notwithstanding anything contained herein to the contrary, neither the Buyer nor any of its Affiliates shall be obligated to (i) consent to the divestiture of, or structure or conduct relief with respect to, the Company, the Subsidiaries, the Business or the assets or properties of the Company or the Subsidiaries, or any assets, properties, business, division, product line or service line of the Buyer or any of its Affiliates, or (ii) contest, administratively or in court, any ruling, order or other action of any Governmental Authority or any other Person respecting the transactions contemplated by this Agreement.

(b) In furtherance (but not in limitation) of Section 5.1(a), the Buyer and the Seller shall each keep the other apprised of the status of matters relating to actions, waivers, Permits, consents, approvals, authorizations, applications, filings and completion of the transactions contemplated by this Agreement and the Ancillary Agreements. Subject to applicable Law, the Buyer and the Seller shall have the right to review in advance, and, to the extent practicable, each shall consult the other on, all of the information relating to the Buyer, the Seller, the Company or any of the Subsidiaries, as the case may be, and any of their respective Affiliates, that appear in any filing made with, or written materials submitted to, any third party or any Governmental Authority in connection with the transactions contemplated by this Agreement and the Ancillary Agreements. The Buyer and the Seller shall promptly (but in no event later than (i) with respect to any required applications, notices or other filings under the HSR Act, thirty (30) days after the Effective Date, or (ii) with respect to any required applications, notices or other filings under any other applicable Law, sixty (60) days after the

Effective Date) make all filings and submissions with Governmental Authorities under applicable Law that are necessary or advisable to consummate, or in connection with, the transactions contemplated by this Agreement and the Ancillary Agreements. The Seller, on the one hand, and the Buyer, on the other hand, shall each, in connection with the efforts referenced in this Section 5.1 to obtain all requisite Permits for the transactions contemplated by this Agreement under applicable Law, use its reasonable best efforts to (i) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any Legal Proceeding initiated by a private party, in each case, regarding any such transaction; (ii) keep the other Party informed of any material communication received by such Party from, or given by such Party to, any PUC, the Federal Trade Commission (the "**FTC**"), the Antitrust Division of the Department of Justice (the "**DOJ**"), or any other Governmental Authority and of any communication received or given in connection with any Legal Proceeding by a private party, in each case regarding any such transaction; and (iii) subject to applicable Law, permit the other Party to review, in advance, any written communication given by it to or received from, and consult with each other in advance of any meeting or conference with, any PUC, the FTC, the DOJ, or any other Governmental Authority or, in connection with any Legal Proceeding by a private party regarding any such transaction, any other Person, and to the extent permitted by any such PUC, the FTC, the DOJ, or other applicable Governmental Authority or other Person, give the other Party the opportunity to attend and participate in such meetings and conferences subject to applicable Law.

5.2 Conduct of Business. From the Effective Date through the earlier of the Closing Date or the termination of this Agreement pursuant to Article VIII (the "**Pre-Closing Period**"), unless the Buyer shall provide its prior written consent (which shall not be unreasonably withheld, conditioned or delayed), the Company shall, and the Seller shall cause the Company and each of the Subsidiaries to, (i) conduct the Business only in the Ordinary Course of Business, (ii) use commercially reasonable efforts to preserve the Business and (iii) satisfy its Liabilities in accordance with their terms other than in the Ordinary Course of Business. Except as otherwise set forth on Section 5.2 of the Disclosure Schedule, or as otherwise expressly contemplated by this Agreement, from the Effective Date and prior to the Closing Date, neither the Company nor any Subsidiary shall, and the Seller shall cause the Company and each Subsidiary not to, without the prior written consent of the Buyer, which shall not be unreasonably withheld, conditioned or delayed:

(a) enter into any employment Contract or commitment to hire, or terminate the employment or service of, any executive officer or senior management employee;

(b) increase the base salary or bonuses payable on or after the Effective Date, or to become payable on or after the Effective Date, to any director, executive officer or senior management employee of the Company or any of the Subsidiaries except for increases in the Ordinary Course of Business;

(c) amend the Company's or any of the Subsidiaries' articles of incorporation, by-laws or other organizational documents;

(d) other than in connection with its obligations pursuant to Section 5.7(a), declare, set aside for payment or pay any dividend or make any other payment or distribution on or in respect of any of the Stock or any capital stock of the Subsidiaries;

(e) other than in connection with its obligations pursuant to Section 5.7(a), redeem, purchase, retire or otherwise acquire, directly or indirectly, any of the Stock or any capital stock of the Subsidiaries;

(f) cancel or waive any debt, claim or other right, other than in the Ordinary Course of Business;

(g) dispose of or revalue any material assets set forth on the Latest Balance Sheet;

(h) settle any Legal Proceeding other than in the Ordinary Course of Business;

(i) enter into any Contract relating to (i) the purchase of any capital stock of or interest in any Person, (ii) the purchase of assets constituting a business or (iii) any merger, consolidation or other business combination;

(j) enter into or amend any Contract relating to transactions with any Affiliates of the Company (including without limitation the Subsidiaries) or with the Seller or its Affiliates (other than the Company or any of the Subsidiaries);

(k) terminate, cancel, modify or amend in any material respect or take or fail to take any action which would entitle any party (other than the Company or any of the Subsidiaries that is a party thereto) to any Material Contract to terminate or cancel or modify or amend in any material respect any Material Contract;

(l) incur any (i) Indebtedness, except for Intercompany Indebtedness or (ii) Liens, except for Permitted Liens;

(m) make any capital expenditure or series of related capital expenditures (net of allowances or contributions) that is not contemplated by Exhibit B or pursuant to any capital expenditure plan for 2012 pursuant to Section 5.10, other than reasonable capital expenditures made as a result of a casualty event or other emergency;

(n) give or agree to give or become a party to or be bound by any guarantee, surety or indemnity in respect of Indebtedness or other obligations or Liabilities of any other Person;

(o) (i) issue, sell, grant or otherwise dispose of any equity securities of the Company or any of the Subsidiaries, (ii) grant any warrants, options or other rights to purchase or obtain (including upon conversion, exchange or exercise) any equity securities of the Company or any of the Subsidiaries, (iii) issue any security convertible into its respective shares, (iv) grant any registration rights, or (v) otherwise make any change to its respective authorized or issued share capital;

(p) make any change in its respective accounting principles, policies, practices or methods other than as required by GAAP or Law;

(q) make any filing with any Governmental Authority other than in the Ordinary Course of Business; or

(r) enter into any Contract to do any of the actions referred to in this Section 5.2.

5.3 Access to Books and Records.

(a) During the Pre-Closing Period, the Seller, the Company and each of the Subsidiaries shall permit the Buyer and its authorized Representatives to have reasonable access upon reasonable prior written notice to (i) the Company's and each of the Subsidiaries' properties to perform customary Phase I environmental studies (which in no event will involve any (A) sampling or analysis of any environmental media and neither the Buyer nor any of its Affiliates or Representatives may perform any Phase II environmental testing, test borings or other physical samplings of any of such properties without the prior written consent of the Seller, which consent the Seller may withhold in its sole and absolute discretion (provided, that the Seller may not unreasonably withhold, condition or delay its consent to the Buyer's request to perform Phase II environmental testing if the request is with respect to a recognized environmental condition (as defined by ASTM Standard E1527-05) that is identified in a Phase I environmental report and the environmental consultant that performed such Phase I investigation affirmatively recommends in such report that sampling be conducted in response to the recognized environmental condition; provided, further, that such sampling shall be limited to soil sampling intended to ascertain if the subject Owned Real Property or Leased Real Property is contaminated with Hazardous Materials in concentrations which do not meet applicable standards for soil quality and thereby threaten or cause contamination of groundwater at such property), or (B) interviews of employees or consultants of the Company or any of the Subsidiaries with respect to environmental matters other than as required by industry standards in connection with a customary Phase I environmental study), and (ii) all of the Company's and each of the Subsidiaries' assets, properties, books, accounting, financial and statistical records (including auditor work papers and Tax records), Contracts, employees, independent contractors, customers, vendors, distributors and manufacturers; provided that such access shall be provided in a manner that will not unduly disrupt the Business. The Seller, the Company and each of the Subsidiaries shall furnish such financial, operating and other data and information relating to the Business as the Buyer may reasonably request. The Seller shall confer with the Buyer on a regular basis with respect to matters relevant to the purchase and sale of the Stock and the integration of the operations of the Company and each of the Subsidiaries with those of the Buyer and shall provide the Buyer with such financial information prepared by management in the Ordinary Course of Business consistent with past practices as may be reasonably requested by the Buyer. All information exchanged pursuant to this Section 5.3 shall be subject to the Non-Disclosure Agreement dated April 12, 2011, between the Buyer and the Seller (the "**Non-Disclosure Agreement**").

(b) For a period of five (5) years after the Closing Date, the Buyer shall cause the Company and each of the Subsidiaries to provide the Seller (or, if applicable, a Person designated by the Seller in a notice to the Buyer in accordance with Section 10.7 (the "**Seller Designee**")) and each of its authorized Representatives with reasonable access to all of the books and records of the Company and each of the Subsidiaries to the extent that such access may reasonably be required by such parties in connection with matters relating to or affected by the operations of the Company or any of the Subsidiaries prior to the Closing Date. Such access shall be afforded by the Company and each of the Subsidiaries upon receipt of reasonable advance notice and during normal business hours and, to the extent such information is confidential, shall be subject to an obligation of confidentiality by the Seller Designee. If any company shall desire to dispose of any such books and records prior to the expiration of such five (5) year period other than in accordance with the Company's or any of the Subsidiaries' respective record retention policy then in effect, the Company or the applicable Subsidiary shall, prior to such disposition, notify the Seller and give the Seller (or, if applicable, the Seller Designee) and its authorized Representatives a reasonable opportunity, at the Seller's or the Seller Designee's expense, to segregate and remove such books and records as such parties may select. Notwithstanding the foregoing, neither the Buyer, the Company nor any of the Subsidiaries shall be required to provide any information which the Buyer reasonably believes the Buyer, the Company or any of the Subsidiaries are prohibited from providing to the Seller by reason of applicable Law, which constitutes or allows access to information protected by the attorney/client privilege.

5.4 Seller Marks. The Buyer shall (i) as promptly as practicable after the Closing, but in no event later than thirty (30) days after the Closing Date, cease using any names, marks, trade names, trademarks and corporate symbols and logos of the Seller and any word or expression similar thereto or constituting an abbreviation or extension thereof (collectively and together with all other names, marks, trade names, trademarks and corporate symbols and logos owned by the Seller or any of its Affiliates, the "**Seller Marks**"), and (ii) amend the Company's and each of the Subsidiaries' charter documents to remove any use or reference to any of the Seller Marks. Thereafter, the Buyer shall not use any of the Seller Marks or any name or term confusingly similar to any of the Seller Marks in connection with the conduct of its or any of its Affiliates' businesses or operations. In the event that the Buyer breaches this Section 5.4, the Seller shall be entitled to specific performance and to injunctive relief, as well as any other remedies at law or in equity available to the Seller.

5.5 Employees, Pensions and Benefits.

(a) *No Participation After Closing Date*. The Seller shall take such action as necessary to ensure that each of the Company and the Subsidiaries is no longer a participating employer eligible to participate in any of the Plans on or after the Closing Date other than a Plan sponsored by the Company or a Subsidiary solely for employees of the Company and/or the Subsidiaries. With respect to Plans in which the Company or the Subsidiaries cease to be participating employers, the Seller shall take such action as necessary to ensure that all employees of the Company and the Subsidiaries (the "**Applicable Employees**") cease to participate in the Plans on and after the Closing Date, except to the extent they, or their dependents, beneficiaries or alternate payees are entitled to receive a previously accrued benefit under a Plan not transferred to the Buyer under this Agreement.

(b) *COBRA Benefits*. On and after the Closing Date, the Buyer, the Company and the Subsidiaries, as applicable, shall have responsibility for all COBRA obligations related to the Applicable Employees who are employed by the Company or any Subsidiary, as applicable, on and after the Closing Date and their qualified beneficiaries that arise as a result of a COBRA qualifying event occurring after the Closing Date. The Seller shall have responsibility for all COBRA obligations for all individuals who are "M&A qualified beneficiaries." An M&A qualified beneficiary, as defined in Treasury Regulation Section 54.4980B-9, Q&A-4(b), is a qualified beneficiary for COBRA purposes whose qualifying event occurred prior to or in connection with the transaction contemplated by this Agreement and who is, or whose qualifying event occurred in connection with, a covered employee whose last employment prior to the qualifying event was with the Company and/or one of the Subsidiaries.

(c) *No Right to Continued Employment*. All employees, active or inactive, of the Company or the Subsidiaries on the day before the Closing Date shall continue to be employees of the Company or the Subsidiaries, as applicable, as of and after the Closing Date. Notwithstanding the foregoing, nothing contained in this Section 5.5, express or implied, is intended to confer upon any Person not a party hereto any right, benefit or remedy of any nature whatsoever, including any right to employment or continued employment for any period of time by reason of this Agreement, or any right to a particular term or condition of employment or benefit; provided, however, that Applicable Employees who are represented for the purpose of collective bargaining as of the Closing Date shall continue to be subject to the terms and conditions set forth in any applicable collective bargaining agreement after the Closing Date. Notwithstanding anything to the contrary contained in this Agreement, no provision of this Agreement is intended to, or does, constitute the establishment of, or an amendment to, any Plan or any employee benefit plan of the Buyer or its Affiliates.

(d) *Buyer Obligation for Employment Terms and Benefits.*

(i) Employment Terms. With respect to any Applicable Employee covered by a collective bargaining agreement, the Buyer shall cause each of the Company and the Subsidiaries to fulfill its respective obligations with regard to compensation and other terms and conditions of employment set forth in the applicable collective bargaining agreements listed on Section 5.5(d)(i) of the Disclosure Schedule and shall have no other obligations other than those set forth in such collective bargaining agreements.

(ii) Benefits. The Applicable Employees as of the Closing Date who are employed by the Company or the Subsidiaries, respectively, and who are not covered by a collective bargaining agreement shall, immediately following the Closing Date, be provided with the same benefits as an employee of the Buyer who was hired after January 1, 2006. Neither the foregoing nor any other provision of this Agreement is intended to, and shall not, limit or restrict the right of the Company, the Subsidiaries, the Buyer or any Affiliate of the Buyer sponsoring a plan in which the Company's or any of the Subsidiaries' employees, respectively, participate to amend such plan with respect to the benefits provided thereunder or to terminate such plan. The Buyer shall cause the Company and the Subsidiaries to fulfill their respective obligations with regard to benefits set forth in the applicable collective bargaining agreements listed on Section 5.5(d)(i) of the Disclosure Schedule in accordance with such agreements.

(iii) Prior Service and Other Credits. With respect to any employee benefit plan, program or policy that is made available by the Buyer, the Company or any of the Subsidiaries to the Applicable Employees on and after the Closing Date (the "**Buyer Plans**"): (A) all periods of service with the Company, the Subsidiaries or any ERISA Affiliate, or any predecessor entity of either, by any such employee prior to the Closing Date shall be credited for eligibility, participation, and vesting purposes, and to the extent required by a collective bargaining agreement, for benefit calculation purposes, under the Buyer Plans, (B) with respect to any Buyer Plans which are welfare plans as defined in Section 3.1 of ERISA to which such employee may become eligible, the Buyer shall cause such Buyer Plans to provide credit for the year in which the Closing occurs for any co-payments, deductibles, maximum out-of-pocket payments by such employees, and to waive all pre-existing condition exclusions and waiting periods, to the extent permitted by the insurance carriers for Buyer Plans without additional cost, and (C) with respect to any Buyer Plan to which such employee may become eligible and which provides flexible spending accounts, the Buyer shall cause such Buyer Plan to provide credit for the year in which the Closing occurs for the employee's flexible spending account balances under Seller's Plan. The Seller shall provide Buyer with complete and accurate records of such flexible spending account balances as of the Closing Date no later than the fifth (5th) Business Day following the Closing Date. The Buyer shall cause the Company and the Subsidiaries to recognize and assume Liability for vacation days and previously accrued and reserved for by the Company and the Subsidiaries as of the Closing Date.

(e) *Transfer of Plan Obligations.*

(i) Pension Plan. NYWSC as sponsor of the New York Water Service Corporation Pension Plan (the "**NYWSC Pension Plan**") for the benefit of its employees and former employees shall continue to sponsor and maintain the NYWSC Pension Plan following the Closing Date. The liabilities and assets under the Retirement Income Plan for Aqua America, Inc. and Subsidiaries (the "**Aqua Retirement Plan**") attributable to the accrued benefits of active employees and former employees of the Subsidiaries who are not covered by a collective bargaining agreement or of the beneficiaries and alternate payees of such active or former employees of the Subsidiaries shall remain with the Aqua Retirement Plan.

(ii) Disability. The Seller shall retain liability for long-term disability benefits payable to Applicable Employees who as of the Closing Date are receiving long-term disability benefits or who as of the Closing Date are eligible to receive, or following the expiration of any applicable elimination period, will be eligible to receive long-term disability benefits. The Seller shall be liable for payment of all sick leave, short-term disability and workers' compensation claims payable to an Applicable Employee through the Closing Date, and the Buyer shall be responsible thereafter. The Buyer agrees to honor the reemployment rights of Applicable Employees absent from employment on the Closing Date due to sick leave, short- or long-term disability or workers' compensation. The Seller shall promptly inform Buyer, but in any event within five (5) Business Days, of any workers' compensation claim that is made between the Effective Date and the Closing Date.

(iii) 401(k) Plan. The accounts under the Aqua America, Inc. 401(k) Plan (the "**Aqua 401(k) Plan**") of the Applicable Employees or of former employees of the Company or Subsidiaries or of alternate payees or beneficiaries of such Applicable Employees or former employees shall be retained in the Aqua 401(k) Plan and each such Applicable Employee, former employee, alternate payee and beneficiary shall be entitled to a distribution from the Aqua 401(k) Plan after the Closing Date to the extent permitted by the Aqua 401(k) Plan and applicable Law.

(iv) Retiree Welfare Plan.

(A) NYWSC as sponsor of the New York Water Service Corporation Post Retirement Healthcare Plan (the "**NYWSC Retiree Welfare Plan**") shall continue to sponsor and maintain the NYWSC Retiree Welfare Plan and shall continue to be liable on and after the Closing Date for post-retirement benefits to be provided thereunder for employees of NYWSC covered by collective bargaining agreements on and after the Closing Date. Notwithstanding any provision of this Agreement, the NYWSC Retiree Welfare Plan or any provision of any applicable collective bargaining agreement, the Seller shall be liable on and after the Closing Date for the post-retirement benefits of those persons who are retirees of NYWSC and covered by the NYWSC Retiree Welfare Plan on the Closing Date. On the Closing Date or within one hundred twenty (120) days thereafter, the Buyer shall cause to be transferred, or shall cause NYWSC to cause to be transferred, in cash from the trust maintained pursuant to Section 501(c)(9) of the Code (the "**NYWSC VEBA**") to the VEBA which funds the Retiree Medical and Life Insurance Plan for Consumers Water Employees (the "**Consumers VEBA**"), the "**Allocable VEBA Assets**". The Allocable VEBA Assets shall equal the Accumulated Post-Retirement Benefit Obligation (the "**APBO**") for the retirees of NYWSC covered by the NYWSC Retiree Welfare Plan on the Closing Date as a percentage of the APBO for the entire NYWSC Retiree Welfare Plan multiplied by the total aggregate fair market value of the NYWSC VEBA as of the last day of the month prior to the Closing Date, adjusted for interest at LIBOR and benefit payments and contributions through the Closing Date. The APBO for purposes of the calculation shall be the APBO calculated as of the most recent fiscal year end. The total aggregate fair market value of the NYWSC VEBA shall be further adjusted to include any assets transferred from the NYWSC VEBA, or exclude any assets transferred to the NYWSC VEBA, between fiscal year end and the Closing Date for purposes of a transaction separate from this Agreement. The Allocable VEBA Assets will be calculated as of the Closing Date by actuaries who were the actuaries for the NYWSC Retiree Welfare Plan on the day prior to the Closing Date. The Buyer agrees that for a period of two years following the Closing Date, NYWSC, the Buyer and any affiliate of the Buyer shall not hire a former employee of NYWSC who retired as an eligible retiree for purposes of the NYWSC Retiree Welfare Plan after the date of this Agreement and prior to the Closing Date. In the event such retiree is hired by NYWSC, the Buyer or any affiliate of Buyer during such two year period following the Closing Date, the Buyer shall pay the Seller $100,000 for each such retiree hired.

(B) The liability for post-retirement benefits with respect to retirees of NYWSC on the Closing Date who retired after January 1, 2007 and who were not covered by a collective bargaining agreement prior to termination of employment with NYWSC (the "**NYWSC Post-2006 Non-Represented Retirees")** and with respect to employees of NYWSC on the Closing Date who are not covered by a collective bargaining agreement (the "**NYWSC Non-Represented Employees**") shall remain with the Retiree Medical Plan for Non-Represented Employees of the Philadelphia Suburban Division of Aqua Pennsylvania, Inc. (the "**Aqua Retiree Medical Plan**"). The Buyer agrees that for a period of two years following the Closing Date, NYWSC, the Buyer and any affiliate of the Buyer shall not hire a former employee of NYWSC who retired as an eligible retiree for purposes of the Aqua Retiree Welfare Plan after the date of this Agreement and prior to the Closing Date. In the event such retiree is hired by NYWSC, the Buyer or any affiliate of Buyer during such two year period following the Closing Date, the Buyer shall pay the Seller $100,000 for each such retiree hired. The Seller agrees to use the retained assets under the VEBA which funds the Aqua Retiree Medical Plan allocable to the NYWSC Non-Represented Employees, which shall be determined in the same manner as provided under (A) above, only for retiree medical benefits for employees and retirees of NYWSC.

(C) The liability with respect to retirees of Sea Cliff on the Closing Date (the "**Sea Cliff Retirees**") and employees of Sea Cliff on the Closing Date (the "**Sea Cliff Employees**") shall remain with the Retiree Medical and Life Insurance Plan for Consumers Water Employees (the "**Consumers Retiree Welfare Plan**"). The Buyer agrees that for a period of two years following the Closing Date, Sea Cliff, the Buyer and any affiliate of the Buyer shall not hire a former employee of Sea Cliff who retired as an eligible retiree for purposes of the Consumers Retiree Welfare Plan after the date of this Agreement and prior to the Closing Date. In the event such retiree is hired by Sea Cliff, the Buyer or any affiliate of Buyer during such two year period following the Closing Date, the Buyer shall pay the Seller $100,000 for each such retiree hired. The Seller agrees to use the retained assets under the VEBA which funds the Consumers Retiree Welfare Plan allocable to the Sea Cliff Employees, which shall be determined in the same manner as provided under (A) above, only for retiree medical benefits for employees and retirees of Sea Cliff.

(D) Neither the foregoing nor any other provision of the Agreement is intended to, and shall not, limit or restrict the right of the Seller or any affiliate of the Seller sponsoring a plan providing for retiree medical coverage to amend such plan with respect to the benefits provided thereunder or to terminate such plan except as may otherwise be required by any applicable collective bargaining agreement.

(v) Cooperation. Following the Effective Date, the Seller and the Buyer shall reasonably cooperate in all matters reasonably necessary to effect the transactions contemplated by this Section 5.5, including exchanging information and data relating to employee benefits, unless such exchange of information and data would violate applicable Law.

5.6 Release of Support Obligations.

(a) The Buyer recognizes that the Seller and its Affiliates have provided guarantees or other credit support to the Company and/or one of the Subsidiaries, all of which that are outstanding as of the Effective Date are set forth on Section 5.6 of the Disclosure Schedule (such support obligations contained in Section 5.6 of the Disclosure Schedule, as modified or replaced from time to time in the Ordinary Course of Business, are hereinafter referred to as "**Support Obligations**").

(b) Prior to the Closing, the Buyer and the Seller shall cooperate, and each shall use its commercially reasonable efforts to, effect the full and unconditional release, effective as of the Closing Date, of the Seller and its Affiliates (other than the Company or the Subsidiaries) from all Support Obligations, and in the case of the Buyer, by (among other things):

(i) furnishing a letter of credit to replace each existing letter of credit that is a Support Obligation containing terms and conditions that are substantially similar to the terms and conditions of such existing letter of credit and from lending institutions that have a credit rating commensurate with or better than that of lending institutions for such existing letter of credit;

(ii) instituting an escrow arrangement to replace each existing escrow arrangement that is a Support Obligation with terms reasonably acceptable to the counterparty of such existing escrow arrangement;

(iii) furnishing a guaranty to replace each existing guaranty that is a Support Obligation, which replacement guaranty is issued by a Person having a credit rating at least equal to "investment grade" and containing terms and conditions that are substantially similar to the terms and conditions of such existing guaranty;

(iv) posting a surety or performance bond to replace each existing surety or performance bond that is a Support Obligation, which replacement surety or performance bond is issued by a Person having a net worth and credit rating at least equal to those of the issuer of such existing surety or performance bond, and containing terms and conditions that are substantially similar to the terms and conditions of such existing surety or performance bond; or

(v) replacing any other security agreement or arrangement on substantially similar terms and conditions to the existing security agreement or arrangement that is a Support Obligation.

(c) The Buyer shall cause the beneficiary or beneficiaries of such Support Obligations to (i) remit any cash to the Seller or one of its Affiliates, as applicable, held under any escrow arrangement that is a Support Obligation promptly following the replacement of such escrow arrangement pursuant to Section 5.6(b)(ii), and (ii) terminate, surrender and redeliver to the Seller, one of its Affiliates or the Seller Designee each original copy of each original guaranty, letter of credit or other instrument constituting or evidencing such Support Obligations.

(d) If the Buyer and the Seller are not successful, following the use of commercially reasonable efforts, in obtaining the complete and unconditional release of the Seller and its Affiliates (other than the Company and the Subsidiaries) from any Support Obligations by the Closing Date (each such unreleased Support Obligation, until such time as such Support Obligation is released in accordance with Section 5.6(d)(i), a "**Continuing Support Obligation**"), then:

(i) from and after the Closing Date, the Buyer and the Seller shall continue to cooperate, and each shall continue to use its commercially reasonable efforts, to obtain promptly the full and unconditional release of the Seller and its Affiliates from each Continuing Support Obligation;

(ii) the Buyer shall indemnify the Seller and its Affiliates from and against any Liabilities, losses and reasonable costs or expenses incurred by the Seller and its Affiliates from and after the Closing Date in connection with each Continuing Support Obligation (including any demand or draw upon, or withdrawal from, any Continuing Support Obligation); and

(iii) the Buyer shall not, and shall cause its Affiliates, including in all events the Company and the Subsidiaries, not to, effect any amendments or modifications or any other changes to the Contracts or obligations to which any of the Continuing Support Obligations relate, or to otherwise take any action that could increase, extend or accelerate the Liability of the Seller or any of its Affiliates under any Continuing Support Obligation, without the Seller's prior written consent, which, subject to the application of the provisions of this Section 5.6(d) to any such increase, extension or acceleration, shall not be unreasonably withheld or delayed.

5.7 Certain Balance Sheet Matters. On or prior to the Closing Date, the Seller shall:

(a) cause all Intercompany Debt to be settled or cancelled; and

(b) take all necessary actions such that any IT assets or other assets on the books of the Company or any of the Subsidiaries that are held by the Seller or any of its Affiliates (other than the Company or any one of the Subsidiaries) shall not be set forth on the balance sheet of the Company as of the Closing Date consistent with the adjustments to the balance sheet of the Company with respect to such assets as reflected in Exhibit A.

5.8 Termination of Certain Services and Contracts; Transition Services Agreement.

(a) Except as contemplated by this Agreement or as set forth on Section 5.8(a) of the Disclosure Schedule, prior to the Closing, the Seller shall take such actions as may be necessary to terminate, sever, or assign to the Seller (in each case with appropriate mutual releases) effective upon or prior the Closing, all Contracts and services between the Company or any of the Subsidiaries, on the one hand, and the Seller or any of its Affiliates (other than the Company or the Subsidiaries), on the other hand, including the termination or severance of Tax services, treasury and finance services, legal services and banking services (to include the severance of any centralized clearance accounts) (collectively such Contracts, the "**Terminated Contracts**"). On and after the Closing Date, none of the Buyer, the Company, the Subsidiaries or any of their Affiliates shall have any obligations or Liabilities arising out of or pursuant to any Terminated Contract. This Section 5.8(a) shall not apply to Intercompany Debt, which is addressed in Section 5.7(a).

(b) If, following the activities of the transition team pursuant to Section 5.10, the Buyer reasonably determines that transition services will be required after the Closing, the Parties will agree upon a list of reasonable transition services to be provided by the Seller to the Buyer, the Company and the Subsidiaries, which services shall be provided at reasonable rates (which rates shall not exceed 100% of the Seller's, or its Affiliate's, cost of providing such services) as allocated in accordance with the methodologies used for such allocations by the Seller and its Affiliates in accordance with past practice, and in accordance with the terms and conditions to be set forth in a Transition Services Agreement (such agreement, the "**Transition Services Agreement**"), the form and substance of which shall be reasonably satisfactory to the Buyer and the Seller. The Parties shall cooperate in good faith during the period between the Effective Date and the Closing Date in order to minimize, to the extent possible, the period of time following the Closing Date that the Buyer, the Company and the Subsidiaries will require services to be provided under the Transition Services Agreement.

5.9 No Solicitations. None of the Seller, the Company or the Subsidiaries will not take, nor will they permit any of their Affiliates (or authorize or permit any investment banker, financial advisor, attorney, accountant or other Person retained by or acting for or on behalf of the Seller, the Company or any of their Affiliates) to take, directly or indirectly, any action to initiate, assist, solicit, receive, negotiate, encourage, facilitate, accept, or approve, or enter into (i) any Contract with any Person or group (other than the Buyer and its Affiliates), or (ii) any submission of, or any offer, inquiry or proposal from, any Person (A) to participate in any negotiations with or to reach any agreement or understanding (whether or not such agreement or understanding is absolute, revocable, contingent or conditional) for, or otherwise attempt to consummate, the sale of the Company, any of the Subsidiaries or their respective assets or the Business (or any part thereof) to any Person other than the Buyer or its Affiliates, or (B) to furnish or cause to be furnished any information with respect to the Company, any of the Subsidiaries or the Business to any Person who the Seller or any of its Affiliates (or any such Person acting for or on their behalf) knows or has reason to believe is in the process of considering any acquisition of all or any part of the Company, any of the Subsidiaries, or their respective assets or the Business. The Seller shall immediately cease, and shall cause the Company and each of the Subsidiaries to immediately cease, any and all existing activities, discussions or negotiations with any parties with respect to any of the foregoing. In addition, none of the Seller, the Company or any of the Subsidiaries will, and will not permit their respective Representatives, investment bankers, agents and Affiliates of any of the foregoing to, directly or indirectly, make or authorize any statement, recommendation or solicitation in support of any proposal for the acquisition of all or any part of the Company, any of the Subsidiaries or their respective assets or the Business made by any Person or group (other than the Buyer or its Affiliates). If the Seller or any of its Affiliates (or any such Person acting for or on their behalf) receives from any Person any offer, inquiry or informational request referred to above, the Seller shall (i) promptly advise such Person, by written notice, of the terms of this Section 5.9, and (ii) promptly, orally and in writing, advise the Buyer of such offer, inquiry or request and deliver a copy of such notice to the Buyer.

5.10 Transition Team. Within fifteen (15) days after the Effective Date, the Seller shall deliver to the Buyer a list of its proposed Representatives to be appointed to a joint transition team. The Buyer will appoint its Representatives to such team within fifteen (15) days after receipt of the Seller's list. Such joint transition team will be responsible for preparing, as soon as reasonably practicable after the Effective Date, and timely implementing, a transition plan that will identify and describe substantially all of the various transition activities that the Parties will cause to occur before the Closing, specifically including the extraction of the Data from the Seller's systems. In addition, the Seller shall keep the joint transition team updated on material matters relating to the operation of the Business. If the Closing does not occur prior to January 1, 2012, then the joint transition team shall develop, subject to the reasonable approval of the Buyer and the Seller, a capital expenditure plan for the Business for the 2012 calendar year; provided, that if the Buyer and the Seller cannot agree on such 2012 capital expenditure plan, then the capital expenditure plan for 2011 attached hereto as Exhibit B shall remain in place subject to revisions and increases thereto required or necessary in the Ordinary Course of Business.

5.11 Non-Solicitation of Employees and Suppliers. For a period of three (3) years following the Closing Date, none of the Seller, its subsidiaries, or any of their respective officers, employees or agents (collectively, the "**Restricted Parties**") shall, directly or indirectly, (a) solicit for employment, or hire, any employee of the Company or any of the Subsidiaries; provided that this Section 5.11 shall not apply to any general solicitations of employment by the Seller or its Affiliates or (b) induce or attempt to induce any supplier, consultant, contractor, licensee or other business relation of the Company or any of the Subsidiaries to cease doing business with the Company or any of the Subsidiaries, or in any way interfere with the business relationship between any such Person and the Company or any of the Subsidiaries. The Seller agrees and acknowledges that (i) the covenants set forth in this Section 5.11 are reasonably limited in time and in all other respects, (ii) the covenants set forth in this Section 5.11 are reasonably necessary for the protection of the Buyer, (iii) the Buyer would not have entered into this Agreement but for the covenants of the Seller contained herein, and (iv) the covenants contained herein have been made in order to induce the Buyer to enter into this Agreement. The Seller recognizes and affirms that in the event of its breach of any provision of this Section 5.11, money damages would be inadequate and the Buyer, the Company and the Subsidiaries would have no adequate remedy at Law. Accordingly, the Seller agrees that in the event of a breach or a threatened breach by any Restricted Party of any of the provisions of this Section 5.11, the Buyer, the Company and the Subsidiaries in addition and supplementary to other rights and remedies existing in their favor, may apply to any court of Law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security).

5.12 Risk of Loss. The risk of any loss, damage, impairment, confiscation or condemnation of any of the assets of the Company or any of the Subsidiaries, from any cause whatsoever shall be borne by the Seller at all times prior to the Closing, and by the Buyer at all times thereafter. If any such loss, damage, impairment, confiscation or condemnation occurs, the Company or the applicable Subsidiary shall apply the proceeds of any insurance policy, judgment or award with respect thereto to repair, replace or restore the assets as soon as possible to their prior condition; provided, however, anything contained in this Agreement to the contrary notwithstanding, none of the Seller, the Company or any of the Subsidiaries shall be obligated to expend sums in excess of the proceeds of any insurance policy (plus the amount of any applicable deductible thereunder), judgment or award with respect to any loss, damage, impairment, confiscation or condemnation of any of the assets of the Company or any of the Subsidiaries, in order to repair, replace or restore such assets to their prior condition. The provisions of this Section 5.12 shall apply in the event (a "**Casualty Event**") of any damage or destruction to the assets of the Company or any of the Subsidiaries which would result in the nonoccurrence of a condition precedent to the Buyer's obligation to consummate the transactions contemplated hereby. If a Casualty Event shall occur, the Buyer, at its option, may proceed to close pursuant to this Agreement on the Closing Date, in which event the Seller shall pay or assign to the Buyer the proceeds from any insurance policies covering assets of the Company or any of the Subsidiaries subject to the Casualty Event to the extent such proceeds are received by or payable to the Seller and have not been used in or committed to the restoration or replacement of assets of the Company or any Subsidiary as applicable, subject to the Casualty Event as of the Closing Date.

5.13 Capital Expenditure Plan. Between the Effective Date and the Closing Date, the Company shall, and the Seller will cause the Company and each of the Subsidiaries to, make the capital expenditures listed on Exhibit B, totaling in the aggregate the amount set forth on Exhibit B, unless the Seller and the Buyer agree otherwise in writing.

5.14 Further Assurances. Subject to the terms and conditions of this Agreement, at any time and from time to time following the Closing Date, at either Party's request (and at the expense of the requesting Party but without further consideration), the other Party shall execute and deliver to such requesting Party such other instruments of sale, transfer, conveyance, assignment and confirmation, provide such materials and information and take such other actions as such Party may reasonably request in order to fully consummate the transactions contemplated by this Agreement.

5.15 Insurance. To the extent that the Company or any of the Subsidiaries were insured under insurance policies of the Seller prior to the Closing Date as named insureds or otherwise, following the Closing, (a) the Seller shall maintain or cause to be maintained in full force and effect such insurance policies throughout the period between the Effective Date and the Closing Date and shall thereafter refrain from electing to terminate any such insurance policy prior to the expiration of its stated term, (b) the Buyer may, or at the Buyer's written request the Seller shall, make claims under such policies with respect to occurrences, events, conditions, or circumstances relating to the Company, any of the Subsidiaries or their respective assets that occurred or existed prior to the Closing Date, and (c) if the Seller receives any amounts under any such insurance policy with respect to any occurrence, event, condition, or circumstance relating to the Company, any of the Subsidiaries or their respective assets that occurred or existed prior to the Closing Date, the Seller shall promptly forward such amounts to the Buyer (net of reasonable costs of recovery of the Seller or its Affiliates). The Seller does not represent, warrant or covenant that (i) such insurance policies will provide coverage for any claims reported after

the Closing Date that the Buyer may elect to make, or (ii) issuers of such policies will not wrongfully refuse to honor any such claims. The Seller shall provide reasonable assistance to the Buyer in connection with the tendering of such claims to the applicable insurers under such insurance policies. The Seller shall remit any recoveries with respect to any claims asserted by the Buyer under any such insurance policies (net of reasonable costs of recovery of the Seller or its Affiliates) to the Buyer. In the event of any dispute regarding the date of any loss or occurrence, the terms of the applicable insurance policies shall govern. For a period of four (4) years from the Closing Date, the Seller shall not enter into any endorsement or amendment of any such insurance policy that would be adverse, in any material respect, only to the Company, the Subsidiaries and their respective assets and not the Seller's remaining assets and Affiliates with respect to occurrences prior to and including the Closing Date.

5.16 Eminent Domain Proceedings.

(a) If, prior to the Closing Date, any Governmental Authority, including the Water Authority of Southeastern Nassau County, initiates a condemnation or eminent domain proceeding against all or a material portion of any real or personal property of the Company or any Subsidiary (including without limitation the Owned Real Estate) by conducting a public hearing in accordance with the New York State Eminent Domain Procedure Law (the "**EDPL**"), N.Y. Em. Dom. Proc. Law, § 101 et seq. (McKinney 2010) or otherwise in accordance with applicable Law then in effect (a "**Condemnation Proceeding**"), the Seller shall promptly notify the Buyer and shall provide the Buyer with all information concerning such public hearing and any subsequent Condemnation Proceedings. The Buyer shall then, at its sole option, either: (i) terminate this Agreement by providing written notice to the Seller within twenty (20) days of receipt of the notice from the Seller; or (ii) proceed to the Closing as provided herein, in which case, any right of the Seller to receive an award in condemnation or transfer resulting from negotiations pursuant to the commenced public hearing or such subsequent Condemnation Proceeding shall be assigned by the Seller to the Buyer at the Closing, subject to the provisions of Section 5.16(c).

(b) If the Buyer does not terminate this Agreement pursuant to Section 5.16(a) and Section 8.1(d), the Seller, the Company or the applicable Subsidiary shall: (i) not adjust or settle any Condemnation Proceedings without the prior written consent of the Buyer, which approval may be withheld by the Buyer in its sole and absolute discretion; (ii) keep the Buyer fully advised as to the status of the Condemnation Proceedings; and (iii) allow the Buyer to participate in all Condemnation Proceedings.

(c) If (i) a Condemnation Proceeding is initiated at any time during the period between the Effective Date and the date that is three (3) months following the Closing Date, and (ii) an award is rendered pursuant thereto at any time during the two (2) year period following the Closing Date either (A) pursuant to an agreement or stipulation between the Company or any Subsidiary and such Governmental Authority for the acquisition of such any real or personal property of the Company or the applicable Subsidiary (including without limitation the Owned Real Estate), pursuant to Section 304 of the EDPL, or other applicable Law then in effect or (B) after the entry of an order of the appropriate judgment by a court with competent jurisdiction over the Condemnation Proceeding pursuant to Sections 512 and 513 of the EDPL, or other applicable Law then in effect, then the Buyer and the Seller shall share equally the amount of such award that is in excess of: (i) the final Purchase Price, as adjusted pursuant to Article II, plus (ii) any and all expenses incurred by the Company or the applicable Subsidiary in connection with or related to the Condemnation Proceeding, plus (iii) any and all expenses incurred by the Buyer in connection with or related to the transactions contemplated by this Agreement, plus (iv) the aggregate amount of capital expenditures made by the Company or the applicable Subsidiary during the period between the Closing Date and the date that such award in condemnation is rendered, less (v) the aggregate amount of depreciation accrued by the Company or the applicable Subsidiary during the period between the Closing Date and the date that such award in condemnation is rendered.

5.17 Disclosure Schedule Updates. Not less than five (5) Business Days prior to the Closing Date, the Seller and the Company may (but shall not have the obligation to) deliver a written update to any of their Disclosure Schedules (the "**Disclosure Schedule Supplement**") and, subject to the proviso at the end of this sentence, such Disclosure Schedule Supplement shall amend and supplement the Disclosure Schedules such that the information contained in the Disclosure Schedule Supplement shall be deemed included in the Disclosure Schedules for all purposes hereunder, including with respect to the satisfaction of the conditions to Closing contained herein and the Buyer's right to seek indemnification under Article IX; provided, that (i) such written update was not required to make the representations and warranties set forth in Article III true and correct in all material respects as of the Effective Date and (ii) such written update is required as a result of (A) events which occurred following the Effective Date, or (B) events which occurred prior to the Effective Date but which the Company did not have Knowledge of as of the Effective Date. Notwithstanding the foregoing, if the Buyer objects to the Disclosure Schedule Supplement, the sole remedy of the Buyer shall be to terminate immediately this Agreement pursuant to Section 8.1(d); provided, however, that such termination right shall only be available if the matters disclosed for the first time in the Disclosure Schedule Supplement would prevent the condition to Closing set forth in Section 6.1(a) from being satisfied.

5.18 Rate Case Cooperation. The Parties agree to cooperate on and use commercially reasonable efforts to pursue the next rate case filed by the Company or any of the Subsidiaries after the Effective Date, including consultation regarding rate case information, preparation of rate case schedules, and responses to the interrogatories in connection therewith.

ARTICLE VI
CLOSING CONDITIONS

6.1 Conditions to Obligations of the Buyer. The obligations of the Buyer to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions:

(a) the representations and warranties set forth in Section 3.1 and Section 3.2 which are not qualified by materiality or Material Adverse Effect shall be true and correct in all material respects at and as of the Closing Date and the representations and warranties set forth in Section 3.1 and Section 3.2 which are qualified by materiality or Material Adverse Effect shall be true and correct in all respects at and as of the Closing Date (except for representations and warranties that speak of a specific date or time other than the Closing Date which shall be true and correct as of such specified date to the extent set forth above);

(b) the Company, each of the Subsidiaries and the Seller shall have performed and complied in all material respects with all of their respective covenants hereunder through the Closing Date;

(c) there shall not have occurred from December 31, 2010 to the Closing Date any event or development that has had or is reasonably expected to have a Material Adverse Effect;

(d) any PUC listed on Section 2.5(a)(ix) of the Disclosure Schedule shall have approved the transactions contemplated hereby, if required by applicable Law, by Final Order; provided, however, that (i) if both the Buyer and the Seller waive the condition of such PUC approval by Final Order, the Parties shall consider the PUC approval without Final Order sufficient to proceed to the Closing according to the other terms of this Agreement and (ii) no Final Order shall impose terms or conditions that would reasonably be expected to have a Material Adverse Effect (after giving effect to the purchase of the Stock by the Buyer); and

(e) the Seller shall have delivered, or caused to be delivered, all items required to be delivered in accordance with Section 2.5(a).

6.2 Conditions to Obligations of the Seller. The obligations of the Seller to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions:

(a) the representations and warranties set forth in Section 4.1 above which are not qualified by materiality shall be true and correct in all material respects at and as of the Closing Date and the representations and warranties set forth in Section 4.1 which are qualified by materiality shall be true and correct in all respects at and as of the Closing Date (except for representations or warranties that speak of a specific date or time other than the Closing Date which shall be true and correct as of such specified date to the extent set forth above);

(b) the Buyer shall have performed and complied in all material respects with all of its covenants hereunder through the Closing Date;

(c) any PUC listed on Section 2.5(a)(ix) of the Disclosure Schedule shall have approved the transactions contemplated hereby, if required by applicable Law, by Final Order; provided, however, that (i) if both the Buyer and the Seller waive the condition of such PUC approval by Final Order, the Parties shall consider the PUC approval without Final Order sufficient to proceed to the Closing according to the other terms of this Agreement and (ii) no Final Order shall impose terms or conditions that would reasonably be expected to be materially adverse to the Seller or its Affiliates, other than the Company or the Subsidiaries (after giving effect to the purchase of the Stock by the Buyer); and

(d) the Buyer shall have delivered, or caused to be delivered, all items required to be delivered in accordance with Section 2.5(b).

6.3 Conditions to Obligations of All Parties. The obligations of all Parties to consummate the transactions contemplated hereby are subject to the satisfaction on or prior to the Closing Date of the following conditions:

(a) no Legal Proceeding shall be pending before any Governmental Authority (other than a PUC) which would reasonably be expected to result in any order of such Governmental Authority (nor shall there be any such order in effect) which would (i) prevent or inhibit the consummation of the transactions contemplated hereby, (ii) cause any of the transactions contemplated by this Agreement to be rescinded following consummation, (iii) adversely affect the right of the Buyer to own the Stock of the Company and to control the Company and, indirectly, the Subsidiaries, or (iv) adversely affect the right of each of the Company and the Subsidiaries to own a material portion of its assets and to operate the Business in any material respect;

(b) the applicable waiting period under the HSR Act with respect to the transactions contemplated hereby shall have expired or been terminated; and

(c) all of the conditions to closing under the Ohio Purchase Agreement shall have been satisfied or waived, other than any condition requiring the conditions to Closing hereunder having been satisfied or waived.

6.4 Waiver of Conditions. Notwithstanding anything to the contrary set forth herein, (a) if any of the conditions set forth in Sections 6.1 or 6.3 shall not have been satisfied, the Buyer shall have the right to proceed with the Closing, in which case the Buyer shall be deemed to have waived for all purposes any rights or remedies it may have had under this Agreement or otherwise by reason of the failure of any such condition, and (b) if any of the conditions set forth in Sections 6.2 or 6.3 shall not have been satisfied, the Seller shall have the right to proceed with the Closing, in which case the Seller shall be deemed to have waived for all purposes any rights or remedies it may have had under this Agreement or otherwise by reason of the failure of any such condition.

ARTICLE VII
TAX MATTERS

7.1 Tax Matters.

(a) *Straddle Period*. In the case of any taxable period that includes (but does not end on) the Closing Date (a "**Straddle Period**"), the amount of any Taxes based on or measured by the income or receipts of the Company or the Subsidiaries for the Pre-Closing Tax Period shall be determined based on the interim closing of the books as of the close of business on the Closing Date. The amount of other Taxes of the Company or the Subsidiaries for a Straddle Period that relates to a Pre-Closing Tax Period shall be deemed to be the amount of Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in such Straddle Period.

(b) *Tax Returns*. The Seller shall prepare or cause to be prepared and file or cause to be filed all Tax Returns and pay or cause to be paid all Taxes that are shown as due and owing on such Tax Returns for the Company or the Subsidiaries, as applicable, for all Pre-Closing Tax Periods but that are filed after the Closing Date. The Buyer shall prepare or cause to be prepared and file or cause to be filed all Tax Returns for the Company and the Subsidiaries that are filed for taxable periods ending after the Closing Date. The Buyer shall permit the Seller to review and approve each Tax Return which covers a Straddle Period and shall make such revisions to such Tax Returns as are reasonably requested by the Seller, to the extent such revisions relate to any Pre-Closing Tax Period.

(c) *Refunds and Tax Benefits*.

(i) Any refunds of Tax that are received by the Buyer, the Company or any of the Subsidiaries after the Closing that relate to any taxable periods or portions thereof ending on or before the Closing Date (or, to the extent applicable, to a Pre-Closing Tax Period or to any Straddle Period) shall be for the account of the Seller, and the Buyer shall pay over to the Seller (and shall not have the right to set off such amount against any Losses for which the Seller is obligated to indemnify the Buyer pursuant to Article IX herein) any such refund within fifteen (15) days after receipt. To the extent that a claim for refund or a proceeding results in a payment or credit against Tax by a Governmental Authority to the Buyer, the Company or any of the Subsidiaries of any amount accrued on the consolidated balance sheet of the Company and the Subsidiaries as of the Closing Date, the Buyer shall pay such amount to the Seller within fifteen (15) days after receipt of such amount.

(ii) If the Company or any of the Subsidiaries are entitled to any refund of Taxes relating to a taxable period ending prior to or ending on the Closing Date for the Tax refund case titled *New York Water Service Corporation v. Town of Hempstead, et al*. (Index No. 07-007208, Supreme Court of New York, County of Nassau), which is listed on Section 3.2(j) of the Disclosure Schedule, then the proceeds from such refund received after the Closing Date shall be distributed as follows: (A) first, to the payment of all legal expenses incurred in the representation of the Company or any of the Subsidiaries in the applicable Tax refund case, in each case as authorized by the NYSPSC; (B) second, to the Company's or any of the Subsidiaries' ratepayers, as the case may be, in each case as authorized by the NYSPSC; (C) third, if applicable, to the respective predecessor shareholder of the respective Subsidiary, as the case may be, in compliance with existing contractual requirements with such predecessor shareholder; and (D) fourth, fifty percent (50%) to the Seller and fifty percent (50%) to the Company or the respective Subsidiary, as the case may be.

(iii) Notwithstanding anything to the contrary herein, if any of the Subsidiaries are entitled to any refund of Taxes relating to a taxable period ending prior to or ending on the Closing Date (other than the Tax refund case listed in Section 7.1(c)(ii) above), then the proceeds from such refund shall be distributed to the respective predecessor shareholder of the respective Subsidiary, as the case may be, in compliance with existing contractual requirements with such predecessor shareholder pursuant to those certain Stock Purchase Agreements listed on Sections 3.2(j), 3.2(m), and 3.2(n) of the Disclosure Schedule.

(d) *Tax-Sharing Agreements*. All tax-sharing agreements by and between the Seller, the Company, any of the Subsidiaries, or any affiliates of the foregoing shall be terminated as of the Closing Date and, after the Closing Date, none of the Company or any of the Subsidiaries shall be bound thereby or have any Liability thereunder.

(e) *Transfer Taxes*. The Buyer and the Seller shall each pay fifty percent (50%) of all transfer or gains Tax (specifically excluding any capital gains Tax), intangibles Tax, stamp Tax, registration Tax, use Tax or other similar Tax imposed on the Company, any of the Subsidiaries or the Seller as a result of the transactions contemplated by this Agreement (collectively, "**Transfer Taxes**"), including any penalties or interest or other fees and charges with respect to Transfer Taxes.

(f) *Cooperation*. The Seller, the Company, and the Buyer shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, agents, auditors and Representatives to reasonably cooperate, in preparing and filing all Tax Returns, and in resolving all disputes and audits with respect to Taxes. Such cooperation shall include the retention and (upon the other Party's request) the provision of records and information reasonably relevant to any such audit or other Legal Proceedings and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided thereunder. The Company, the Seller, and the Buyer agree (i) to retain all books and records with respect to Tax matters pertinent to the Company or the Subsidiaries relating to any taxable period beginning before the Closing Date until the expiration of the applicable statute of limitations (and, to the extent notified by the Buyer or the Seller, as the case may be, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any taxing authority, and (ii) to give the other Party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other Party so requests, the Company or the Seller, as the case may be, shall allow the other Party to take possession of such books and records. The Buyer and the Seller further agree, upon request, to use their commercially reasonable efforts to obtain any certificate or other document from any Governmental Authority or any other Person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the transactions contemplated hereunder). Unless required by applicable Law, or as necessary to correct any errors in prior Tax Returns, the Buyer shall not amend any Tax Returns that relate to the Pre-Closing Tax Period without the Seller's prior written consent. In addition to the foregoing, the Buyer shall not, and shall cause its Affiliates (including the Company and the Subsidiaries after the Closing Date) not to, enter into any settlement of any contest or otherwise compromise any issue with respect to the portion of the Pre-Closing Tax Period without the prior written consent of the Seller, which consent shall not be unreasonably withheld, delayed or conditioned.

ARTICLE VIII
TERMINATION

8.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either the Buyer or the Seller (provided that the terminating Party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if the Closing shall not have occurred twelve (12) months after the Effective Date (the "**Outside Date**") (provided, that if on the Outside Date one or more of the conditions to Closing set forth in Section 6.1(d), Section 6.2(c), and Section 6.3(b) have not been fulfilled and such conditions are being diligently pursued by the appropriate Party, and all of the other conditions to Closing contained in Article VI have been fulfilled or are capable of being fulfilled, then, at the option of either the Buyer or the Seller (which shall be exercised by written notice on or before the Outside Date), the twelve (12) month period shall be fifteen (15) months);

(b) by the Buyer if (i) the Seller shall have breached any of its covenants or agreements contained in this Agreement to be complied with by the Seller such that the closing condition set forth in Section 6.1(b) would not be satisfied or (ii) there exists a breach of any representation or warranty of the Seller or the Company contained in this Agreement such that the closing condition set forth in Section 6.1(a) would not be satisfied; provided, in the case of (i) or (ii), that such breach is not cured by the Seller within thirty (30) Business Days after the Seller receives written notice of such breach from the Buyer; provided that the Buyer is not then in breach in any material respect with any of its covenants or agreements under this Agreement;

(c) by the Seller if (i) the Buyer shall have breached any of the covenants or agreements contained in this Agreement to be complied with by the Buyer such that the closing condition set forth in Section 6.2(b) would not be satisfied or (ii) there exists a breach of any representation or warranty of the Buyer contained in this Agreement such that the closing condition set forth in Section 6.2(a) would not be satisfied; provided, in the case of (i) or (ii), that such breach is not cured by the Buyer within thirty (30) Business Days after the Buyer receives written notice of such breach from the Seller; provided that the Seller is not then in breach in any material respect with any of its covenants or agreements under this Agreement;

(d) by the Buyer in accordance with Section 5.16(a) hereof;

(e) by the Buyer in accordance with Section 5.17 hereof; or

(f) at any time prior to the Closing Date by mutual written agreement of the Buyer and the Seller.

8.2 Effect of Termination. In the event of termination of this Agreement in accordance with Section 8.1, this Agreement shall forthwith become void and there shall be no Liability on the part of any Party to any other Party, Affiliates, directors or officers under this Agreement, except that (i) the provisions of this Section 8.2 and Article X shall continue in full force and effect and (ii) nothing herein shall relieve any Party from Liability for any breach of this Agreement prior to such termination.

ARTICLE IX
INDEMNIFICATION

9.1 Seller Indemnification. Subject to the limitations set forth in this Article IX, and without duplication, the Seller shall indemnify and hold harmless the Buyer and each of its directors, officers and Affiliates (collectively, the "**Buyer Indemnified Parties**") from and against any and all Losses suffered or incurred by such Buyer Indemnified Party arising from:

(a) any breach or default in performance by the Seller or the Company of any covenant or agreement of the Seller or the Company contained in this Agreement;

(b) any breach of, or any inaccuracy in, any representation or warranty made by the Seller or the Company in this Agreement or in any Ancillary Agreement executed and delivered pursuant to this Agreement;

(c) any claim by any Person for brokerage or finder's fees or commissions or similar payments with respect to the transactions contemplated by this Agreement based upon any agreement or understanding alleged to have been made by any such Person with the Seller, the Company or any Subsidiary (or any Person acting on their behalf);

(d) any Taxes of the Seller, the Company or the Subsidiaries that are in excess of the reserve for Taxes set forth on the balance sheet of the Company as of the Closing Date and taken into account in the calculation of Closing Date Shareholder's Equity to the extent attributable to any Pre-Closing Period;

(e) any Indebtedness of the Company or any of the Subsidiaries not satisfied in full prior to or at the Closing to the extent not taken into account in the calculation of Closing Date Shareholder's Equity or the Estimated Payment; and

(f) any Intercompany Debt not satisfied or terminated in full prior to or at the Closing.

9.2 Buyer Indemnification. Subject to the limitations set forth in this Article IX, and without duplication, the Buyer shall indemnify and hold harmless the Seller and each of its directors, officers and Affiliates (collectively, the "**Seller Indemnified Parties**") from and against any and all Losses suffered or incurred by such Seller Indemnified Party arising from:

(a) any breach or default in performance by the Buyer of any covenant or agreement of the Buyer contained in this Agreement that is to be performed at or prior to the Closing Date; and

(b) any breach of, or any inaccuracy in, any representation or warranty made by the Buyer in this Agreement or in any Ancillary Agreement executed and delivered pursuant to this Agreement.

9.3 Survival of Representations and Warranties and Pre-Closing Covenants. The covenants, representations and warranties that are covered by the indemnification obligations under Article IX shall (a) survive the Closing and (b) shall expire on the date that is twenty-four (24) months after the Closing Date; provided, however, that (i) the representations and warranties contained in Section 3.2(j) (Tax Matters) and Section 3.2(p) (Employee Benefit Plans) shall expire on the sixtieth (60th) day following the expiration of the applicable statute of limitations, (ii) the representations and warranties contained in Section 3.2(u) (Environmental) shall expire on the date that is seven (7) years after the Closing Date, (iii) the representations and warranties contained in Section 3.1(a) (Ownership), Section 3.1(b) (Organization and Authorization), Section 3.2(a) (Organization, Qualification and Authority), Section 3.2(b) (Authorization of Transaction), and Section 3.2(d) (Capitalization) shall survive the Closing indefinitely, and (iv) if a Buyer Indemnified Party or Seller Indemnified Party, as applicable, delivers to the other party, before expiration of a representation or warranty, a notice of any claim for indemnification under this Article IX based upon a breach of such representation or warranty (a "**Claim Notice**"), then the applicable representation or warranty shall survive until, and only for purposes of, the resolution of the matter covered by such Claim Notice.

9.4 Limitations.

(a) Notwithstanding anything to the contrary in this Agreement, (i) after the Closing, the aggregate Liability of the Seller to the Buyer Indemnified Parties for Losses covered under Section 9.1 shall be limited to $3,795,390 (i.e., 9% of the Purchase Price) and (ii) no indemnification shall be available to the Buyer Indemnified Parties for Losses covered under Section 9.1 unless and until the aggregate Losses for which indemnification would otherwise be available under Section 9.1 exceed $210,855 (i.e., 0.50% of the Purchase Price), at which point indemnification shall be available to the Buyer Indemnified Parties for the aggregate Losses under Section 9.1 relating back to the first dollar; provided, however that (A) the limitations of clause (ii) above shall not apply to claims for indemnification in respect of any breach of a representation or warranty contained in Section 3.1(a) (Ownership), Section 3.1(b) (Organization and Authorization), Section 3.1(f) (Brokers), Section 3.2(a) (Organization, Qualification and Authority), Section 3.2(b) (Authorization of Transaction), Section 3.2(d) (Capitalization), Section 3.2(j) (Tax Matters) or Section 3.2(s) (Brokers) of this Agreement, and (B) the limitations of clause (i) above shall not apply to claims for indemnification in respect of any breach of a representation or warranty contained in Section 3.1(a) (Ownership), Section 3.1(b) (Organization and Authorization), Section 3.2(a) (Organization, Qualification and Authority), Section 3.2(b) (Authorization of Transaction), or Section 3.2(d) (Capitalization) of this Agreement, provided that the aggregate Liability of the Seller to the Buyer Indemnified Parties for Losses for breaches of the representations and warranties contained in the sections listed in this clause (B) shall not exceed the Purchase Price.

(b) No Party shall be entitled to indemnification under this Article IX with respect to (i) incidental damages, special damages, exemplary damages, consequential damages (including consequential damages consisting of or based on any multiple of profits or earnings, or diminution in value or lost profits), or punitive damages (other than such incidental, special, exemplary, consequential or punitive damages recoverable by a third party pursuant to a Third Party Claim) or (ii) any matter which is included or taken into account in the calculation of Closing Date Shareholder's Equity or the Closing Adjustment as finally determined pursuant to Section 2.3.

(c) Notwithstanding anything to the contrary herein, the amount of any Losses for the purposes of determining amounts recoverable under this Article IX shall be reduced by any amounts actually recovered by the Seller Indemnified Party or the Buyer Indemnified Party, as applicable, in respect of such Losses under insurance policies, or in any condemnation, confiscation or similar proceeding (net of out-of-pocket costs of collection).

(d) Except as otherwise expressly provided for herein, after the Closing, the rights of the Buyer Indemnified Parties and Seller Indemnified Parties under this Article IX shall be the sole and exclusive remedy of the Buyer Indemnified Parties and Seller Indemnified Parties with respect to any and all disputes or Legal Proceedings arising out of or related to this Agreement or the transactions contemplated thereby; provided, however, that nothing contained in this Section 9.4(d) will limit, in any way, any rights a Party may have to (i) bring a claim or action grounded in actual fraud or willful misrepresentation, (ii) seek specific performance in accordance with Section 10.2, or (iii) a Closing Adjustment in accordance with Section 2.3. As of the Closing, each Party waives against the other, and the Company and the Buyer Indemnified Parties each waive against the Seller, any statutory rights, including, but not limited to, any private right of action for contribution or cost recovery, which such Party, the Company or the Buyer Indemnified Party then has or may thereafter have under any Environmental Laws. In furtherance of the foregoing, the waiver of any condition to the Closing based on the accuracy of any representation or warranty, or on the performance of or compliance with any covenant, agreement or obligation, shall be deemed a waiver of the right to indemnification under this Article IX with respect to such representation or warranty, covenant, agreement or obligation.

(e) Any indemnification payments made pursuant to this Article IX shall be considered adjustments to the Purchase Price.

(f) Notwithstanding anything to the contrary herein, no Buyer Indemnified Party shall be entitled to indemnification for Losses (including through a claim of breach of representation) relating or attributable to (i) Tax Liabilities (A) for any period beginning after the Closing Date or any period beginning before the Closing Date to the extent attributable to the portion of such period after the Closing Date, (B) attributable to any actions taken by the Buyer, the Company, the Subsidiaries or their respective Affiliates after the Closing (including actions taken after the Closing but on the Closing Date), or (C) which are paid prior to the Closing, including through estimated Tax payments or other prepayments of Tax, or which are included in the calculation of Closing Date Shareholder's Equity as finally determined pursuant to Section 2.3, or (ii) the amount, availability of, or limitations on any Tax attributes (including basis in assets, depreciation and amortization periods, depreciability and amortizability, net operating loss carryovers, and credit carryovers).

9.5 Indemnification Claims.

(a) *Notice; Third-Party Claim.* Promptly after the receipt by either a Buyer Indemnified Party or a Seller Indemnified Party, as the case may be (the "**Indemnified Party**") of notice of the commencement of any Legal Proceeding, investigation or other claim against such Indemnified Party by a third party (such action, a "**Third Party Claim**"), such Indemnified Party shall, if a claim with respect thereto is to be made for indemnification pursuant to this Article IX, give written notification to the Seller or the Buyer, as the case may be (the "**Indemnifying Party**") of the commencement of such Third Party Claim. Such notification shall be given promptly upon receipt by the Indemnified Party of notice of such Third Party Claim, and shall describe in reasonable detail (to the extent known by the Indemnified Party) the facts constituting the basis for such Third Party Claim and the amount of the claimed Losses; provided, however, that no delay or failure on the part of the Indemnified Party in so notifying the Indemnifying Party shall limit any Liability or obligation for indemnification pursuant to this Article IX except to the extent of any damage or Liability caused by or arising out of such delay or failure. Within fifteen (15) days after delivery of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such Third Party Claim with counsel reasonably satisfactory to the Indemnified Party. If the Indemnifying Party does not so assume control of the defense of a Third Party Claim, the Indemnified Party shall control such defense. The Party not controlling the defense of a Third Party Claim (the "**Non-Controlling Party**") may participate in such defense at its own expense. The Party controlling the defense of the Third Party Claim (the "**Controlling Party**") shall keep the Non-Controlling Party advised of the status of such Third Party Claim and the defense thereof and shall consider in good faith recommendations made by the Non-Controlling Party with respect thereto. The Non-Controlling Party shall furnish the Controlling Party with such information as it may have with respect to such Third Party Claim (including copies of any summons, complaint or other pleading which may have been served on such Party and any written claim, demand, invoice, billing or other document evidencing or asserting the same) and shall otherwise cooperate with and assist the Controlling Party in the defense of such Third Party Claim. The fees and expenses of counsel to the Controlling Party shall be considered Losses for purposes of this Agreement. The Controlling Party shall not agree to any settlement of, or the entry of any judgment arising from, any Third Party Claim without the prior written consent of the Non-Controlling Party, which shall not be unreasonably withheld, conditioned or delayed.

(b) *Notice; Claim*. In order to seek indemnification under this Article IX (other than in respect of Third Party Claims which shall be governed by subsection (a)), an Indemnified Party shall deliver a Claim Notice to the Indemnifying Party. Such Claim Notice shall be delivered by the Indemnified Party within thirty (30) days after the Indemnified Party receives notice of the claim and shall describe in reasonable detail the facts constituting the basis for such claim and the claim amount; provided that, no delay or failure on the part of an Indemnified Party in so notifying the Indemnifying Party shall limit any Liability or obligation for indemnification pursuant to this Article IX, except to the extent of any damage or Liability caused by or arising out of such delay or failure.

ARTICLE X
MISCELLANEOUS

10.1 Press Releases and Announcements. Prior to the Closing, no Party shall issue nor permit any of its managers, directors, officers, employees, agents, or Representatives to issue, any press release or public announcement relating to the subject matter of this Agreement or the transactions contemplated hereby without the prior written approval of the other Parties hereto. Prior to and following the Closing, any Party may make any public disclosure required by Law or applicable rules or regulations of any stock exchange; provided, however, that, to the extent possible, the disclosing Party will provide the other Party with the proposed disclosure for review and comment with adequate time for such review prior to such disclosure.

10.2 Specific Performance. Each of the Parties acknowledges and agrees that (a) the other Parties would be damaged irreparably in the event any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached or violated; (b) accordingly, without posting bond or similar undertaking, the other Parties shall be entitled to an injunction or injunctions to prevent breaches or violations of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any Legal Proceeding instituted in any court having jurisdiction over both the Parties and the matter in addition to any other remedy to which it may be entitled, at Law or in equity; and (c) in the event of any action for specific performance in respect of such breach or violation, it shall not assert the defense that a remedy at Law would be adequate.

10.3 No Third Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

10.4 Entire Agreement. This Agreement (including the Exhibits, Disclosure Schedules and other agreements and documents referred to herein) and the Non-Disclosure Agreement constitute the entire agreement between the Parties and supersede any prior understandings, agreements, or representations by or between the Parties, written or oral, that may have related in any way to the subject matter hereof.

10.5 Succession and Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign this Agreement or any of such Party's rights, interests, or obligations hereunder without the prior written approval of the other Parties, except that the Buyer may assign (a) its rights and obligations hereunder to any of its Affiliates (provided that no such assignment shall release the Buyer from its obligations hereunder), (b) as collateral security its rights pursuant hereto to any Person providing financing to the Buyer or any of its Affiliates, and (c) its rights and obligations hereunder to any subsequent purchaser of the Buyer, any such permitted transferee or a material portion of its or their assets (whether such sale is structured as a sale of stock, sale of assets, merger, recapitalization or otherwise).

10.6 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. It is the express intent of the Parties hereto to be bound by the exchange of signatures on this Agreement via facsimile or electronic mail via the portable document format (PDF).

10.7 Notices. All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed properly given (i) three (3) Business Days after it is sent by registered or certified mail, return receipt requested, postage prepaid, (ii) one (1) day after receipt is electronically confirmed, if sent by fax (provided that a hard copy shall be promptly sent by first class mail), or (iii) one (1) Business Day following deposit with a recognized national overnight courier service for next day delivery, charges prepaid, and, in each case, addressed to the intended recipient as set forth below:

If to the Buyer or the Company (after the Closing):

American Water Works Company, Inc.
1025 Laurel Oak Road
Voorhees, New Jersey 08043
Attention: Kellye Walker
Facsimile: 856.346.8299

With copies to:

Reed Smith LLP
225 Fifth Avenue
Pittsburgh, Pennsylvania 15222
Attention: Glenn R. Mahone
Facsimile: 412.288.3063

and

Reed Smith LLP
2500 One Liberty Place
1650 Market Street
Philadelphia, Pennsylvania 19103
Attention: Brian C. Miner
Facsimile: 215.851.1420

If to the Seller or the Company (prior to the Closing):

Aqua Utilities, Inc.
762 W. Lancaster Avenue
Bryn Mawr, Pennsylvania 19010
Attention: General Counsel
Facsimile: 610.645.1061

With a copy to:

Fox Rothschild LLP
2000 Market Street, 20th Floor
Philadelphia, Pennsylvania 19103
Attention: Peter J. Tucci
Facsimile: 215.345.7507

Any Party may give any notice, request, demand, claim, or other communication hereunder using any other means (including personal delivery, expedited courier, messenger service, telecopy, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been properly given unless and until it actually is delivered to the individual for whom it is intended. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

10.8 Governing Law. This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

10.9 CONSENT TO JURISDICTION. EACH OF THE BUYER, THE COMPANY, AND THE SELLER HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE APPLICABLE STATE OR FEDERAL COURTS SITTING IN THE STATE OF DELAWARE FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, AND EACH OF THE BUYER, THE COMPANY, AND THE SELLER AGREE NOT TO COMMENCE ANY LEGAL PROCEEDING RELATED THERETO EXCEPT IN SUCH COURTS. EACH OF THE BUYER, THE COMPANY, AND THE SELLER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH COURT OR THAT SUCH ACTION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

10.10 WAIVER OF TRIAL BY JURY . TO THE EXTENT PERMITTED BY LAW, EACH OF THE SELLER, THE COMPANY, AND THE BUYER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANCILLARY AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY IN CONNECTION HEREWITH. THE SELLER AND THE COMPANY HEREBY EXPRESSLY ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT FOR THE BUYER TO ENTER INTO THIS AGREEMENT.

10.11 Amendments and Waivers. No amendment, supplement, variation or modification of any provision of this Agreement shall be valid unless the same shall be in writing and signed by an authorized Representative of each of the Buyer, the Seller and the Company. No waiver by any Party of any provision in this Agreement or any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence of such kind.

10.12 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the invalid or unenforceable term or provision in any other situation or in any other jurisdiction. If a final judgment of a court of competent jurisdiction declares that any term or provision hereof is invalid or unenforceable, the Parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or applicability of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be enforceable as so modified after the expiration of the time within which the judgment may be appealed.

10.13 Expenses. Each of the Parties will bear such Party's own direct and indirect costs and expenses (including fees and expenses of legal counsel, investment bankers, brokers or other Representatives or consultants) incurred in connection with the negotiation, preparation and execution of this Agreement and the transactions contemplated hereby, whether or not such transactions are consummated; provided, however, that the Buyer and the Seller shall share equally the filing fees under the HSR Act.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties hereto have each executed and delivered this Agreement as of the day and year first above written.

AMERICAN WATER WORKS COMPANY, INC.

By: Jeffry Sterba
Name:
Title:

AQUA NEW YORK, INC.

By: Nicholas DeBenedictis
Name: Nicholas DeBenedictis
Title: Chairman

AQUA UTILITIES, INC.

By: Nicholas DeBenedictis
Name: Nicholas DeBenedictis
Title: Chairman

[Signature Page for Stock Purchase Agreement (New York)]

EXHIBIT A

DECEMBER 31, 2010 SHAREHOLDER'S EQUITY

EXHIBIT B

CAPITAL EXPENDITURE PLAN

Exhibit 31.1

Certification

I, Nicholas DeBenedictis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

Nicholas DeBenedictis

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer

Exhibit 31.2

Certification

I, David P. Smeltzer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aqua America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting, and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2011

David P. Smeltzer

David P. Smeltzer
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2011 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas DeBenedictis, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Nicholas DeBenedictis

Nicholas DeBenedictis
Chairman, President and Chief Executive Officer
November 4, 2011

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2011 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David P. Smeltzer, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

David P. Smeltzer

David P. Smeltzer
Chief Financial Officer
November 4, 2011