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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, 2015

☐ 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 (State or other jurisdiction of incorporation or organization)	23-1702594 (I.R.S. Employer Identification No.)
762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania (Address of principal executive offices)	19010 -3489 (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 23, 2015: 176,428,025

AQUA AMERICA, INC. AND SUBSIDIARIES

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AQUA AMERICA, INC. AND SUBSIDIARIES

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

Assets	September 30, 2015	December 31, 2014
Property, plant and equipment, at cost	$ 5,985,452	$ 5,707,017
Less: accumulated depreciation	1,379,940	1,305,027
Net property, plant and equipment	4,605,512	4,401,990
Current assets:		
Cash and cash equivalents	4,071	4,138
Accounts receivable and unbilled revenues, net	111,076	96,999
Deferred income taxes	28,483	26,849
Inventory, materials and supplies	12,924	12,788
Prepayments and other current assets	11,753	11,748
Total current assets	168,307	152,522
Regulatory assets	799,858	725,591
Deferred charges and other assets, net	52,364	52,084
Investment in joint venture	41,397	43,334
Funds restricted for construction activity	-	47
Goodwill	33,907	31,184
Total assets	$ 5,701,345	$ 5,406,752
Liabilities and Equity		
Aqua America stockholders' equity:		
Common stock at $.50 par value, authorized 300,000,000 shares, issued 179,192,150 and 178,591,254 as of September 30, 2015 and December 31, 2014	$ 89,596	$ 89,296
Capital in excess of par value	768,428	758,145
Retained earnings	933,144	849,952
Treasury stock, at cost, 2,633,430 and 1,837,984 shares as of September 30, 2015 and December 31, 2014	(63,106)	(42,838)
Accumulated other comprehensive income	619	788
Total Aqua America stockholders' equity	1,728,681	1,655,343
Noncontrolling interest	-	40
Total equity	1,728,681	1,655,383
Long-term debt, excluding current portion	1,681,114	1,560,655
Commitments and contingencies (See Note 13)	-	-
Current liabilities:		
Current portion of long-term debt	47,599	58,615
Loans payable	28,030	18,398
Accounts payable	45,077	63,035
Accrued interest	21,155	12,437
Accrued taxes	27,048	31,462
Other accrued liabilities	47,113	41,388
Total current liabilities	216,022	225,335
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	1,115,672	1,000,791
Customers' advances for construction	87,253	78,301
Regulatory liabilities	264,346	278,317
Other	98,043	109,692
Total deferred credits and other liabilities	1,565,314	1,467,101
Contributions in aid of construction	510,214	498,278
Total liabilities and equity	$ 5,701,345	$ 5,406,752

See notes to consolidated financial statements beginning on page 9 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME
(In thousands, except per share amounts)
(UNAUDITED)

	Three Months Ended September 30,	
	2015	2014
Operating revenues	$ 221,051	$ 210,535
Operating expenses:		
Operations and maintenance	78,519	72,374
Depreciation	31,981	29,482
Amortization	816	806
Taxes other than income taxes	14,663	12,815
Total operating expenses	125,979	115,477
Operating income	95,072	95,058
Other expense (income):		
Interest expense, net	19,239	18,990
Allowance for funds used during construction	(1,708)	(1,195)
Gain on sale of other assets	(170)	(75)
Equity loss in joint venture	698	736
Income from continuing operations before income taxes	77,013	76,602
Provision for income taxes	9,584	8,891
Income from continuing operations	67,429	67,711
Discontinued operations:		
Income from discontinued operations before income taxes	-	472
Provision for income taxes	-	187
Income from discontinued operations	-	285
Net income attributable to common shareholders	$ 67,429	$ 67,996
Income from continuing operations per share:		
Basic	$ 0.38	$ 0.38
Diluted	$ 0.38	$ 0.38
Income from discontinued operations per share:		
Basic	$ -	$ 0.00
Diluted	$ -	$ 0.00
Net income per common share:		
Basic	$ 0.38	$ 0.38
Diluted	$ 0.38	$ 0.38
Average common shares outstanding during the period:		
Basic	176,704	176,900
Diluted	177,495	177,908
Cash dividends declared per common share	$ 0.178	$ 0.165

See notes to consolidated financial statements beginning on page 9 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME
(In thousands, except per share amounts)
(UNAUDITED)

	Nine Months Ended September 30,	
	2015	2014
Operating revenues	$ 617,137	$ 588,514
Operating expenses:		
Operations and maintenance	231,454	214,435
Depreciation	93,530	91,689
Amortization	2,589	2,685
Taxes other than income taxes	43,079	37,943
	370,652	346,752
Operating income	246,485	241,762
Other expense (income):		
Interest expense, net	56,804	57,393
Allowance for funds used during construction	(3,930)	(3,299)
(Gain) loss on sale of other assets	(338)	133
Equity loss in joint venture	1,496	2,673
Income from continuing operations before income taxes	192,453	184,862
Provision for income taxes	19,097	19,932
Income from continuing operations	173,356	164,930
Discontinued operations:		
Income from discontinued operations before income taxes	-	2,497
Provision for income taxes	-	1,003
Income from discontinued operations	-	1,494
Net income attributable to common shareholders	$ 173,356	$ 166,424
Income from continuing operations per share:		
Basic	$ 0.98	$ 0.93
Diluted	$ 0.98	$ 0.93
Income from discontinued operations per share:		
Basic	$ -	$ 0.01
Diluted	$ -	$ 0.01
Net income per common share:		
Basic	$ 0.98	$ 0.94
Diluted	$ 0.98	$ 0.94
Average common shares outstanding during the period:		
Basic	176,891	176,933
Diluted	177,670	177,872
Cash dividends declared per common share	$ 0.508	$ 0.469

See notes to consolidated financial statements beginning on page 9 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands of dollars)
(UNAUDITED)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income attributable to common shareholders	$ 67,429	$ 67,996	$173,356	$166,424
Other comprehensive income, net of tax:				
Unrealized holding (loss) gain on investments, net of tax (benefit) expense of $(120) and $(33) for the three months and $(90) and $73 for the nine months ended September 30, 2015 and 2014, respectively	(223)	(62)	(169)	136
Reclassification adjustment for loss reported in net income, net of tax benefit of $134 for the nine months ended September 30, 2014 (1)	-	-	-	249
Comprehensive income	$ 67,206	$ 67,934	$173,187	$166,809

(1) Amount of pre-tax loss of $383 reclassified from accumulated other comprehensive income to loss on sale of other assets on the consolidated statements of net income for the nine months ended September 30, 2014.

See notes to consolidated financial statements beginning on page 9 of this report.

AQUA AMERICA, INC. AND SUBSIDIARIES

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

		September 30, 2015	December 31, 2014
Aqua America stockholders' equity:			
Common stock, $.50 par value		$ 89,596	$ 89,296
Capital in excess of par value		768,428	758,145
Retained earnings		933,144	849,952
Treasury stock, at cost		(63,106)	(42,838)
Accumulated other comprehensive income		619	788
Total Aqua America stockholders' equity		1,728,681	1,655,343
Noncontrolling interest		-	40
Total equity		1,728,681	1,655,383
Long-term debt of subsidiaries (substantially secured by utility plant):			
Interest Rate Range	Maturity Date Range		
0.00% to 0.99%	2023 to 2033	5,148	5,653
1.00% to 1.99%	2016 to 2035	22,159	24,871
2.00% to 2.99%	2024 to 2031	18,597	15,578
3.00% to 3.99%	2016 to 2047	187,882	190,875
4.00% to 4.99%	2020 to 2054	483,837	484,168
5.00% to 5.99%	2016 to 2043	221,545	242,102
6.00% to 6.99%	2015 to 2036	64,960	64,944
7.00% to 7.99%	2022 to 2027	33,930	34,424
8.00% to 8.99%	2021 to 2025	18,607	18,907
9.00% to 9.99%	2018 to 2026	27,100	27,800
10.00% to 10.99%	2018	6,000	6,000
		1,089,765	1,115,322
Notes payable to bank under revolving credit agreement, variable rate, due 2017		105,000	72,000
Unsecured notes payable:			
Bank notes at 1.921% and 1.975% due 2017 and 2018		100,000	50,000
Notes at 3.57% and 3.59% due 2027 and 2030		120,000	50,000
Notes ranging from 4.62% to 4.87%, due 2016 through 2024		144,400	144,400
Notes ranging from 5.20% to 5.95%, due 2016 through 2037		169,548	187,548
Total long-term debt		1,728,713	1,619,270
Current portion of long-term debt		47,599	58,615
Long-term debt, excluding current portion		1,681,114	1,560,655
Total capitalization		$ 3,409,795	$ 3,216,038

See notes to consolidated financial statements beginning on page 9 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	Noncontrolling Interest	Total
Balance at December 31, 2014	$ 89,296	$758,145	$849,952	$ (42,838)	$ 788	$ 40	$1,655,383
Net income	-	-	173,356	-	-	-	173,356
Other comprehensive loss, net of income tax benefit of $90	-	-	-	-	(169)	-	(169)
Dividends	-	-	(89,842)	-	-	-	(89,842)
Sale of stock (14,441 shares)	7	337	-	-	-	-	344
Repurchase of stock (795,446 shares)	-	-	-	(20,268)	-	-	(20,268)
Equity compensation plan (319,839 shares)	160	(160)	-	-	-	-	-
Exercise of stock options (266,616 shares)	133	4,385	-	-	-	-	4,518
Stock-based compensation	-	4,728	(322)	-	-	-	4,406
Employee stock plan tax benefits	-	1,648	-	-	-	-	1,648
Other	-	(655)	-	-	-	(40)	(695)
Balance at September 30, 2015	$ 89,596	$768,428	$933,144	$ (63,106)	$ 619	$ -	$1,728,681

See notes to consolidated financial statements beginning on page 9 of this report.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands of dollars)
(UNAUDITED)

	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Cash flows from operating activities:		
Net income	$ 173,356	$ 166,424
Income from discontinued operations	-	1,494
Income from continuing operations	173,356	164,930
Adjustments to reconcile income from continuing operations		
to net cash flows from operating activities:		
Depreciation and amortization	96,119	94,374
Deferred income taxes	13,855	15,055
Provision for doubtful accounts	3,693	4,648
Stock-based compensation	4,728	5,145
(Gain) loss on sale of other assets	(338)	133
Net change in receivables, inventory and prepayments	(18,677)	(13,928)
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	16,450	16,241
Other	(6,804)	(11,023)
Operating cash flows from continuing operations	282,382	275,575
Operating cash flows used in discontinued operations, net	-	(1,142)
Net cash flows from operating activities	282,382	274,433
Cash flows from investing activities:		
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of $1,015 and $1,033	(257,478)	(220,739)
Acquisitions of utility systems and other, net	(26,327)	(11,677)
Release of funds previously restricted for construction activity	47	-
Net proceeds from the sale of utility system and other assets	513	386
Other	(1,027)	513
Investing cash flows used in continuing operations	(284,272)	(231,517)
Investing cash flows from discontinued operations, net	-	(77)
Net cash flows used in investing activities	(284,272)	(231,594)
Cash flows from financing activities:		
Customers' advances and contributions in aid of construction	4,286	4,510
Repayments of customers' advances	(2,332)	(2,107)
Net proceeds of short-term debt	9,632	(29,743)
Proceeds from long-term debt	313,440	221,058
Repayments of long-term debt	(203,851)	(128,395)
Change in cash overdraft position	(14,918)	(16,883)
Proceeds from issuing common stock	344	-
Proceeds from exercised stock options	4,518	4,870
Stock-based compensation windfall tax benefits	1,469	1,235
Repurchase of common stock	(20,268)	(13,973)
Dividends paid on common stock	(89,842)	(82,953)
Other	(655)	(580)
Financing cash flows from (used) in continuing operations	1,823	(42,961)
Financing cash flows used in discontinued operations, net	-	(93)
Net cash flows from (used) in financing activities	1,823	(43,054)
Net change in cash and cash equivalents	(67)	(215)
Cash and cash equivalents at beginning of period	4,138	5,058
Cash and cash equivalents at end of period	$ 4,071	$ 4,843
Non-cash investing activity:		
Property, plant and equipment additions purchased at the period end, but not yet paid for	$ 24,742	$ 28,933

See notes to consolidated financial statements beginning on page 9 of this report.

(In thousands of dollars, except per share amounts)

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, 2015, the consolidated statements of net income and comprehensive income for the three and nine months ended September 30, 2015 and 2014, the consolidated statements of cash flow for the nine months ended September 30, 2015 and 2014, and the consolidated statement of equity for the nine months ended September 30, 2015 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, 2014. 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, 2014 consolidated balance sheet data presented herein was derived from the Company's December 31, 2014 audited consolidated financial statements, but does not include all disclosures and notes normally provided in annual financial statements.

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, 2014	$ 24,564	$ 6,620	$ 31,184
Goodwill acquired	-	12	12
Reclassifications from (to) utility plant acquisition adjustment, net	2,723	-	2,723
Other	-	(12)	(12)
Balance at September 30, 2015	$ 27,287	$ 6,620	$ 33,907

The reclassification from utility plant acquisition adjustment to goodwill represents the purchase price in excess of the fair market value of the net assets acquired, from a prior acquisition, which was originally accounted for as utility plant acquisition adjustment. The reclassification from 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.

The Company tested the goodwill attributable for each of our reporting units for impairment as of July 31, 2015, in conjunction with the timing of our annual strategic business plan, and concluded that the estimated fair value of each reporting unit, which has goodwill recorded, exceeded the reporting unit's carrying amount, indicating that none of the Company's goodwill was impaired.

Note 3 – ***Acquisitions***

In May 2015, the Company acquired the water utility systems assets of Mt. Jewett Borough water system located in Hamlin Township, Pennsylvania serving approximately 440 customers. The total purchase price consisted of $1,166 in cash.

In April 2015, the Company acquired the water and wastewater utility system assets of North Maine Utilities located in the Village of Glenview, Illinois serving approximately 7,400 customers. The total purchase price consisted of $23,079 in cash. The purchase price allocation for this acquisition consists primarily of acquired property, plant and equipment.

In December 2014, the Company acquired the water utility system assets of Lake Mohawk and Lake Tomahawk utilities located in Northeastern Ohio serving approximately 1,250 customers. The total purchase price consisted of $1,770 in cash.

In December 2014, the Company acquired a business that specializes in providing water distribution system services to prevent the contamination of potable water, including training to waterworks operators. The total purchase price consisted of $1,800 in cash, of which $700 was paid in the first quarter of 2015. This business is included in the Company's market-based activities.

In September 2014, the Company acquired the water and wastewater utility system assets of Texas H2O, Inc. located in Mansfield, Texas serving approximately 1,100 customers. The total purchase price consisted of $2,796 in cash.

In September 2014, the Company acquired the water utility system assets of Lake Caroline Water Co. located in Caroline County, Virginia serving approximately 1,040 customers. The total purchase price consisted of $1,377 in cash.

In August 2014, the Company acquired a business that specializes in the inspection, cleaning and repair of storm and sanitary sewer lines. The total purchase price consisted of $3,010 in cash, of which a total of $810 is contingent upon satisfying certain annual performance targets over a three-year period. This business is included in the Company's market-based activities.

(In thousands of dollars, except per share amounts)

In March 2014, the Company acquired the wastewater utility system assets of Penn Township located in Chester County, Pennsylvania serving approximately 800 customers. The total purchase price consisted of $3,668 in cash.

Note 4 – *Discontinued Operations*

In December 2014, we completed the sale of our water utility system in southwest Allen County, Indiana to the City of Fort Wayne, Indiana. The completion of this sale settled the dispute concerning the City of Fort Wayne's valuation of the northern portion of our water and wastewater utility systems, which were acquired by the City of Fort Wayne in February 2008, by eminent domain. In addition, as a result of this transaction, Aqua Indiana will expand its sewer customer base by accepting new wastewater flows from the City of Fort Wayne.

In March 2014, we completed the sale of our wastewater treatment facility in Georgia.

The operating results and cash flows of the Company's operations named above, during the periods owned, have been presented in the Company's consolidated statements of net income and consolidated statements of cash flow as discontinued operations. These operations were included in the Company's "Regulated" segment.

A summary of discontinued operations presented in the consolidated statements of net income include the following:

	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2014
Operating revenues	$ 1,935	$ 5,234
Total operating expenses	1,463	2,603
Operating income	472	2,631
Other expense:		
Loss on sale	-	134
Income from discontinued operations before income taxes	472	2,497
Provision for income taxes	187	1,003
Income from discontinued operations	$ 285	$ 1,494

As of September 30, 2015 and December 31, 2014, there were no assets or liabilities associated with the Company's discontinued operations.

Note 5 – *Capitalization*

In October 2015, the Company provided notice for the early redemption of $4,000 of first mortgage bonds at 8.14% that were originally maturing in 2025 and $95,985 of tax-exempt bonds at 5.00% that were originally maturing between 2035 and 2038. The Company anticipates refinancing this debt through the issuance of long-term debt during the fourth quarter of 2015.

In May 2015, the Company issued $70,000 of senior unsecured notes due in 2030 with an interest rate of 3.59%. The proceeds were used to repay existing indebtedness and for general corporate purposes.

In May 2015, Aqua Pennsylvania Inc., a subsidiary of the Company ("Aqua Pennsylvania") entered into a $50,000 three-year unsecured loan at an interest rate of 1.975%. The proceeds from this loan were used for refinancing existing indebtedness and general working capital purposes.

In February 2015, the Company renewed its universal shelf registration, which had expired in February 2015, through a filing with the Securities and Exchange Commission ("SEC") to allow for the potential future sale by the Company, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities and other securities specified therein at indeterminate prices.

In February 2015, the Company filed a registration statement with the SEC to update an existing filing which permits the offering, from time to time, of an aggregate of $500,000 in shares of common stock and shares of preferred stock in connection with acquisitions. The form and terms of any securities issued under these shelf registration statements will be determined at the time of issuance.

Note 6 – *Fair Value of Financial Instruments*

The Company follows the Financial Accounting Standards Board's ("FASB") accounting guidance for fair value measurements and disclosures, which defines fair value and establishes a framework for using fair value to measure assets and liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access;
- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in non-active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3: inputs that are unobservable and significant to the fair value measurement.

(In thousands of dollars, except per share amounts)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation techniques used to measure fair value or asset or liability transfers between the levels of the fair value hierarchy for the quarter ended September 30, 2015.

Financial instruments are recorded at carrying value in the financial statements and approximate fair value as of the dates presented. The fair value of these instruments is disclosed below in accordance with current accounting guidance related to financial instruments.

The fair value of funds restricted for construction activity and loans payable are determined based on their carrying amount and utilizing Level 1 methods and assumptions. As of September 30, 2015, the Company did not have any funds restricted for construction activity and as of December 31, 2014, the carrying amount of the Company's funds restricted for construction activity was $47, which equates to its estimated fair value. As of September 30, 2015 and December 31, 2014, the carrying amount of the Company's loans payable was $28,030 and $18,398, respectively, which equates to their estimated fair value. The fair value of cash and cash equivalents, which is comprised of a money market fund, is determined based on the net asset value per unit utilizing Level 2 methods and assumptions. As of September 30, 2015 and December 31, 2014, the carrying amounts of the Company's cash and cash equivalents was $4,071 and $4,138, respectively, which equates to their fair value.

The carrying amounts and estimated fair values of the Company's long-term debt is as follows:

	September 30, 2015	December 31, 2014
Carrying Amount	$ 1,728,713	$ 1,619,270
Estimated Fair Value	1,905,055	1,694,424

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 utilizing Level 2 methods and assumptions. The Company's customers' advances for construction have a carrying value of $87,253 as of September 30, 2015, and $78,301 as of December 31, 2014. 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 2025 and amounts not paid by the respective 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.

Note 7 – *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 treasury stock method assumes that the proceeds from the exercise of stock options are used to purchase the Company's common stock at the average market price during the period. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Average common shares outstanding during the period for basic computation	176,704	176,900	176,891	176,933
Dilutive effect of employee stock-based compensation	791	1,008	779	939
Average common shares outstanding during the period for diluted computation	177,495	177,908	177,670	177,872

For the three and nine months ended September 30, 2015 and 2014, all of the Company's employee stock options were included in the calculations of diluted net income per share as the calculated cost to exercise the stock options was less than the average market price of the Company's common stock during these periods.

Note 8 – *Stock-based Compensation*

Under the Company's 2009 Omnibus Equity Compensation Plan, as amended as of February 27, 2014 (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 6,250,000 shares for issuance under the plan. A maximum of 3,125,000 shares under the 2009 Plan may be issued pursuant to stock awards, stock units and other stock-based awards, subject to adjustment as provided in the 2009 Plan. During any calendar year, no individual may be granted (i) stock options and stock appreciation rights under the 2009 Plan for more than 500,000 shares of Company stock in the aggregate or (ii) stock awards, stock units or other stock-based awards under the 2009 Plan for more than 500,000 shares of Company stock in the aggregate, subject to adjustment as provided in the 2009 Plan. Awards under the 2009 Plan are made by a committee of the Board of Directors of the Company, or in the case of awards to non-employee directors, by the Board of Directors of the Company. At September 30, 2015, 4,218,666 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)

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 exceptions through the respective vesting period, generally three years. 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. The following table provides compensation costs for stock-based compensation related to PSUs:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Stock-based compensation within operations and maintenance expenses	$ 836	$ 1,220	$ 3,475	$ 3,689
Income tax benefit	339	495	1,414	1,506

The following table summarizes nonvested PSU transactions for the nine months ended September 30, 2015:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at December 31, 2014	582,644	$ 22.98
Granted	141,762	26.45
Performance criteria adjustment	11,080	25.57
Forfeited	(13,401)	25.92
Share units vested	(86,425)	26.25
Share units issued	(217,014)	18.49
Nonvested share units at September 30, 2015	418,646	$ 25.78

A portion of the fair value of PSUs was estimated at the grant date based on the probability of satisfying the market-based conditions associated with the PSUs using the Monte Carlo valuation method, which assesses probabilities of various outcomes of market conditions. The other portion of the fair value of the PSUs is based on the fair market value of the Company's stock at the grant date, regardless of whether the market-based condition is satisfied. The per unit weighted-average fair value at the date of grant for PSUs granted during the nine months ended September 30, 2015 and 2014 was $26.45 and $25.31, respectively. The fair value of each PSU grant is amortized monthly into compensation expense on a straight-line basis over their respective vesting periods, generally 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 for the portion based on the performance-based condition. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the PSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the PSUs. The recording of compensation expense for PSUs has no impact on net cash flows.

(In thousands of dollars, except per share amounts)

On July 1, 2015, in association with the appointment of the Company's Executive Vice President and President and Chief Operating Officer, Regulated Operations, to Chief Executive Officer ("CEO"), the Company granted 9,892 PSUs to the CEO. The fair market value of the PSUs granted is $25.80 per unit.

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. In some cases the right to receive the shares is subject to certain performance goals established at the time the grant is made. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the RSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the RSUs. The following table provides compensation costs for stock-based compensation related to RSUs:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Stock-based compensation within operations and maintenance expenses	$ 209	$ 295	$ 888	$ 827
Income tax benefit	86	122	367	342

The following table summarizes nonvested RSU transactions for the nine months ended September 30, 2015:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at December 31, 2014	122,565	$ 22.29
Granted	46,910	25.97
Stock units vested in prior period and issued in current period	11,500	17.99
Stock units vested but not issued	(1,563)	24.72
Stock units vested and issued	(89,025)	20.96
Forfeited	(2,409)	24.93
Nonvested stock units at September 30, 2015	87,978	$ 24.92

The per unit weighted-average fair value at the date of grant for RSUs granted during the nine months ended September 30, 2015 and 2014 was $25.97 and $24.80, respectively.

On July 1, 2015, in association with the appointment of the Company's Executive Vice President and President and Chief Operating Officer, Regulated Operations, to CEO, the Company granted 4,935 RSUs to the CEO. The fair market value of the RSUs granted is $24.80 per unit.

(In thousands of dollars, except per share amounts)

Stock Options – The following table provides the income tax benefit for stock-based compensation related to stock options granted in prior periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Income tax benefit	$ 28	$ 2	$ 143	$ 98

For the nine months ended September 30, 2015 and 2014, there were no compensation costs for stock-based compensation related to stock options, as stock options were fully amortized in 2013. Additionally, there were no stock options granted during the nine months ended September 30, 2015 or 2014.

The following table summarizes stock option transactions for the nine months ended September 30, 2015:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding at December 31, 2014	1,084,992	$ 17.06		
Forfeited	-	-		
Expired / Cancelled	(750)	13.72		
Exercised	(266,616)	16.95		
Outstanding and exercisable at September 30, 2015	817,626	$ 17.10	2.6	$ 7,659

Restricted Stock – The following table provides compensation costs for stock-based compensation related to restricted stock:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Stock-based compensation within operations and maintenance expenses	$ -	$ 92	$ -	$ 629
Income tax benefit	-	38	-	261

For the nine months ended September 30, 2015, there were no compensation costs for stock-based compensation related to restricted stock, as restricted stock was fully amortized in 2014. Additionally, there was no restricted stock granted during the nine months ended September 30, 2015 or 2014.

Stock Awards – On June 3, 2015, the Company granted an aggregate of 13,800 shares of common stock to the non-employee members of the Board of Directors continuing in office. The fair market value of the shares is $26.44 per share. The shares granted are not subject to any restrictions. In the second quarter of 2015, the Company recognized $365 of compensation expense and an income tax benefit of $151 associated with this grant.

(In thousands of dollars, except per share amounts)

Note 9 – *Pension Plans and Other Postretirement Benefits*

The Company maintains a qualified defined benefit pension plan (the "Pension Plan"), a nonqualified pension plan 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 cost:

	Pension Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Service cost	$ 750	$ 1,004	$ 2,600	$ 3,291
Interest cost	3,255	3,564	9,699	10,589
Expected return on plan assets	(4,677)	(4,495)	(14,025)	(13,105)
Amortization of prior service cost	44	69	130	208
Amortization of actuarial loss	1,465	628	4,529	1,628
Curtailment loss	-	84	-	84
Net periodic benefit cost	$ 837	$ 854	$ 2,933	$ 2,695

	Other Postretirement Benefits			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Service cost	$ 273	$ 283	$ 952	$ 878
Interest cost	681	722	2,120	2,181
Expected return on plan assets	(731)	(686)	(2,192)	(2,057)
Amortization of prior service cost	(211)	(68)	(476)	(210)
Amortization of actuarial loss	309	59	972	200
Net periodic benefit cost	$ 321	$ 310	$ 1,376	$ 992

The Company made cash contributions of $13,756 to its Pension Plan during the first six months of 2015, which completed the Company's 2015 cash contributions.

Note 10 – *Water and Wastewater Rates*

During the first nine months of 2015, the Company's operating divisions in Illinois, Ohio, and Texas were granted base rate increases designed to increase total operating revenues on an annual basis by $3,347. Further, during the first nine months of 2015, the Company's operating divisions in New Jersey, Illinois, Pennsylvania (wastewater), and North Carolina received approval to bill infrastructure rehabilitation surcharges designed to increase total operating revenues on an annual basis by $1,805.

(In thousands of dollars, except per share amounts)

Note 11 – *Taxes Other than Income Taxes*

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Property	$ 6,945	$ 6,860	$ 20,776	$ 17,938
Capital stock	538	(274)	1,619	749
Gross receipts, excise and franchise	2,859	2,727	7,855	8,476
Payroll	2,072	1,650	7,425	5,913
Regulatory assessments	693	694	2,033	1,877
Other	1,556	1,158	3,371	2,990
Total taxes other than income	$ 14,663	$ 12,815	$ 43,079	$ 37,943

AQUA AMERICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(In thousands of dollars, except per share amounts)
(UNAUDITED)

Note 12 – *Segment Information*

The Company has identified ten operating segments and has one reportable segment named the “Regulated” segment. The reportable segment is comprised of eight 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, two segments are not quantitatively significant to be reportable and are comprised of the Company’s market-based activities: Aqua Resources, Inc. and Aqua Infrastructure, LLC. Aqua Resources provides liquid waste hauling and disposal; water and wastewater service through operating and maintenance contracts with municipal authorities and other parties in close proximity to our utility companies’ service territories; offers, through a third party, water and wastewater line repair service and protection solutions to households; inspects, cleans and repairs storm and sanitary wastewater lines; installs and tests devices that prevent the contamination of potable water; designs and builds water and wastewater systems; and provides other market-based water and wastewater services. Aqua Infrastructure provides non-utility raw water supply services for firms in the natural gas drilling industry. These two segments are 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. Corporate costs include general and administrative expense, and interest expense.

The following table presents information about the Company’s reportable segment:

	Three Months Ended September 30, 2015			Three Months Ended September 30, 2014		
	Regulated	Other	Consolidated	Regulated	Other	Consolidated
Operating revenues	$ 213,023	$ 8,028	$ 221,051	$ 203,303	$ 7,232	$ 210,535
Operations and maintenance expense	72,373	6,146	78,519	68,319	4,055	72,374
Depreciation	31,890	91	31,981	29,273	209	29,482
Operating income	93,828	1,244	95,072	92,783	2,275	95,058
Interest expense, net of allowance for funds used during construction	16,461	1,070	17,531	16,805	990	17,795
Income tax expense (benefit)	9,883	(299)	9,584	8,832	59	8,891
Income (loss) from continuing operations	67,654	(225)	67,429	67,221	490	67,711

	Nine Months Ended September 30, 2015			Nine Months Ended September 30, 2014		
	Regulated	Other	Consolidated	Regulated	Other	Consolidated
Operating revenues	$ 590,519	$ 26,618	$ 617,137	$ 571,180	$ 17,334	$ 588,514
Operations and maintenance expense	210,639	20,815	231,454	204,291	10,144	214,435
Depreciation	93,276	254	93,530	91,378	311	91,689
Operating income	243,101	3,384	246,485	236,638	5,124	241,762
Interest expense, net of allowance for funds used during construction	50,085	2,789	52,874	50,654	3,440	54,094
Income tax expense (benefit)	19,679	(582)	19,097	20,701	(769)	19,932
Income (loss) from continuing operations	173,670	(314)	173,356	165,587	(657)	164,930
Capital expenditures	256,924	554	257,478	219,465	1,274	220,739

(In thousands of dollars, except per share amounts)

	September 30, 2015		December 31, 2014	
Total assets:				
Regulated	$	5,490,578	$	5,195,191
Other		210,767		211,561
Consolidated	$	5,701,345	$	5,406,752

Note 13 – *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, 2015, the aggregate amount of $13,371 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, 2015, estimates that approximately $961 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.

In addition to the aforementioned loss contingencies, the Company self-insures its employee medical benefit program, and maintains stop-loss coverage to limit the exposure arising from these claims. The Company's reserve for these claims totaled $1,496 at September 30, 2015 and represents a reserve for unpaid claim costs, including an estimate for the cost of incurred but not reported claims.

Note 14 – *Income Taxes*

During the nine months ended September 30, 2015, the Company utilized $67,733 of its Federal net operating loss (“NOL”) carryforward. In addition, during the nine months ended September 30, 2015, the Company’s state NOL carryforward increased by $1,994. As of September 30, 2015, the balance of the Company’s Federal NOL was $141,840. The Company believes its Federal NOL carryforward is more likely than not to be recovered and requires no valuation allowance. As of September 30, 2015, the balance of the Company’s gross state NOL was $568,827, a portion of which is offset by a valuation allowance because the Company does not believe the NOLs are more likely than not to be realized. The Company’s Federal and state NOL carryforwards begin to expire in 2032 and 2024, respectively. The Company has unrecognized tax positions that result in the associated tax benefit being unrecognized. The Company’s Federal and state NOL carryforwards are reduced by an unrecognized tax position, on a gross basis, of $61,813 and $83,543, respectively. The amounts of the Company’s Federal and state NOL carryforwards prior to being reduced by the unrecognized tax positions were $203,653 and $652,370, respectively. The Company records its unrecognized tax benefit as a reduction to its deferred income tax liability.

In accordance with a 2012 settlement agreement with the Pennsylvania Public Utility Commission, Aqua Pennsylvania expenses, for tax purposes, qualifying utility asset improvement costs, which results in a substantial reduction in income tax expense and greater net income and cash flows. The Company’s effective income tax rate for the third quarter of 2015 and 2014, for its continuing operations, was 12.4% and 11.6%, respectively, and for the first nine months of 2015 and 2014, for its continuing operations, was 9.9% and 10.8% respectively.

As of September 30, 2015, the total gross unrecognized tax benefit was $26,723, of which $17,157, if recognized, would affect the Company’s effective tax rate as a result of the regulatory treatment afforded for qualifying infrastructure improvements in Pennsylvania. At December 31, 2014, the Company had unrecognized tax benefits of $25,292.

Accounting rules for uncertain tax positions specify that tax positions for which the timing of resolution is uncertain should be classified as long-term liabilities. Judgment is required in evaluating the Company’s uncertain tax positions and determining the provision for income taxes. Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. Although the timing of income tax audit resolutions and negotiations with taxing authorities is highly uncertain, the Company does not anticipate a significant change to the total amount of unrecognized income tax benefits within the next 12 months.

Note 15 – *Recent Accounting Pronouncements*

In September 2015, the FASB issued updated accounting guidance on simplifying measurement-period adjustment in business combinations, which eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. The updated guidance is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years, with early adoption available. The Company does not expect the provisions of this accounting standard to have a material impact on its results of operations or financial position.

In April 2015, the FASB issued updated accounting guidance on simplifying the presentation of debt issuance costs, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability. Previously, debt issuance costs were presented in the balance sheet as a deferred charge. The accounting standard is effective for reporting periods beginning after December 15, 2015, and will be applied retrospectively. The Company does not expect the provisions of this accounting standard to have a material impact on its results of operations or financial position.

In August 2014, the FASB issued an accounting standard that will require management to assess an entity's ability to continue as a going concern for each annual and interim reporting period and to provide related footnote disclosures in circumstances in which substantial doubt exists. The accounting standard is effective in the first annual reporting period ending after December 15, 2016. The Company does not expect the provisions of this accounting standard to have an impact on its results of operations or financial position.

In May 2014, the FASB issued updated accounting guidance on recognizing revenue from contracts with customers, which outlines a single comprehensive model that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The updated guidance also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to fulfill a contract. In July 2015, the FASB approved a one year deferral to the original effective date of this guidance. The updated guidance is effective for reporting periods beginning after December 15, 2017, and will be applied retrospectively. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

In April 2014, the FASB issued updated accounting guidance which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The updated guidance is effective prospectively for reporting periods beginning after December 15, 2014, with early adoption available. The Company adopted the provisions of the updated accounting guidance for its quarterly reporting period beginning January 1, 2015, and the adoption of the revised guidance did not 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: 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, 2014 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

Aqua America, Inc. ("we", "us", "our" or the "Company"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to what we estimate to be almost three million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia. Our largest operating subsidiary, Aqua Pennsylvania, 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 27 other counties in Pennsylvania. Our other regulated utility subsidiaries provide similar services in seven other states. In addition, the Company's market-based activities are conducted through Aqua Resources, Inc. and Aqua Infrastructure, LLC. Aqua Resources provides liquid waste hauling and disposal; water and wastewater service through operating and maintenance contracts with municipal authorities and other parties close to our utility companies' service territories; offers, through a third party, water and wastewater line repair service and protection solutions to households; inspects, cleans and repairs storm and sanitary wastewater lines; installs and tests devices that prevent the contamination of potable water; designs and builds water and wastewater systems; and provides other market-based water and wastewater services. Aqua Infrastructure provides non-utility raw water supply services for firms in the natural gas drilling industry.

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, formerly known as Philadelphia Suburban Water Company. Since the early 1990s, we have 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 American Water Works Company, Inc.'s regulated operations in Ohio in 2012. Since the early 1990s, our business strategy has been primarily directed toward the regulated water and wastewater utility industry, where we have more than quadrupled the number of regulated customers we serve, and has extended our regulated operations from southeastern Pennsylvania to include operations in seven other states.

Beginning in 2010, and substantially completed in 2013, we pursued a portfolio rationalization strategy to focus our operations in areas where we have critical mass and economic growth potential and to divest operations where limited customer growth opportunities exist, or where we are unable to achieve favorable operating results or a return on equity that we consider acceptable. In 2014, we sold our operation in Georgia; in 2013, we sold our operations in Florida; in 2012, we sold our operations in Maine and New York; in 2011, we sold our operations in Missouri; and in 2010, we sold our operations in South Carolina. In connection with the sale of our New York and Missouri operations, we acquired additional utility systems (and customers) in Ohio and Texas, two of the larger states in our portfolio.

In December 2014, we completed the sale of our water utility system in southwest Allen County, Indiana to the City of Fort Wayne, Indiana. The completion of this sale settled the dispute concerning the City of Fort Wayne's valuation of the northern portion of our water and wastewater utility systems, which were acquired by the City of Fort Wayne in February 2008, by eminent domain. In addition, as a result of this transaction, Aqua Indiana will expand its sewer customer base by accepting new wastewater flows from the City of Fort Wayne.

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes.

Financial Condition

During the first nine months of 2015, we had $257,478 of capital expenditures, expended $26,327 primarily for the acquisition of water and wastewater utility systems, issued $313,440 of long-term debt, and repaid debt and made sinking fund contributions and other loan repayments of $203,851. The capital expenditures were related to new and rehabilitated water mains, improvements to treatment plants, tanks, hydrants, and service lines, well and booster improvements, and other enhancements and improvements. The issuance of long-term debt was comprised principally of the funds borrowed under our revolving credit facility of $172,000, the proceeds from the issuance of $70,000 of senior unsecured notes due in 2030, and the funds borrowed under a three-year unsecured loan of $50,000.

At September 30, 2015, we had $4,071 of cash and cash equivalents compared to $4,138 at December 31, 2014. During the first nine months of 2015, we used the proceeds from the issuance of long-term debt and internally generated funds to fund the cash requirements discussed above and to pay dividends.

At September 30, 2015, our $200,000 unsecured revolving credit facility, which expires in March 2017, had $73,740 available for borrowing. At September 30, 2015, we had short-term lines of credit of $160,500, of which $132,470 was available for borrowing. One of our short-term lines of credit is an Aqua Pennsylvania $100,000 364-day unsecured revolving credit facility with four banks, which is used to provide working capital, and as of September 30, 2015, $76,710 was available for borrowing.

Our short-term lines of credit of $160,500 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 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 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.

On June 7, 2012, Aqua Pennsylvania reached a settlement agreement in its rate filing with the Pennsylvania Public Utility Commission, which in addition to a water rate increase, provided for a reduction in current income tax expense as a result of the recognition of qualifying income tax benefits upon Aqua Pennsylvania changing its tax accounting method to permit the expensing of qualifying utility asset improvement costs that have historically been capitalized and depreciated for book and tax purposes. In December 2012, Aqua Pennsylvania implemented this change, which resulted in a substantial reduction in income tax expense and greater net income and cash flow, and as a result allowed Aqua Pennsylvania to suspend its water Distribution System Improvement Charges in 2013 and lengthen the amount of time until the next Aqua Pennsylvania rate case is filed. During 2013, our Ohio and North Carolina operating divisions implemented this change. These divisions currently do not employ a method of accounting that provides for a reduction in current income taxes as a result of the recognition of income tax benefits, and as such the change in the Company's tax method of accounting in these operating divisions has no impact on our effective income tax rate.

Results of Operations

Analysis of Third Quarter of 2015 Compared to Third Quarter of 2014

Unless specifically noted, the following discussion of the Company's results of operations for the third quarter of 2015 refers to the Company's results of operations from continuing operations.

Revenues increased by $10,516 or 5.0%, primarily due to an increase in customer water consumption, additional water and wastewater revenues of $3,050 associated with a larger customer base due to utility acquisitions, an increase in water and wastewater rates of $2,292, and an increase in market-based activities revenues of $841 principally associated with acquisitions.

Operations and maintenance expenses increased by $6,145 or 8.5%, primarily due to additional operating costs associated with acquired utility systems and market-based activities of $3,622, an increase in water production costs of $1,686, the recording of a legal contingency reserve of $1,580, an increase in the Company's self-insured employee medical benefit program expense of $1,183, an increase in legal fees of $621, and additional leadership transition expenses of $480, offset by a decrease in postretirement benefits expense of $1,125.

Depreciation expense increased by $2,499 or 8.5%, primarily due to the utility plant placed in service since September 30, 2014 and the absence of a credit recognized in the third quarter of 2014 for the effect of decreased depreciation rates implemented in our Texas operating subsidiary, offset by a decrease in depreciation rates, implemented in January 2015, for our Pennsylvania operating subsidiary.

Taxes other than income taxes increased by $1,848 or 14.4%, primarily due to an increase in capital stock taxes of $812 for our Pennsylvania operating subsidiary resulting from the effect of a favorable credit recorded in the third quarter of 2014.

Interest expense increased by $249 or 1.3%, primarily due to a an increase in average borrowings, offset by a decrease in the effective interest rate on average borrowings as compared to the third quarter of 2014.

Allowance for funds used during construction ("AFUDC") increased by $513, due to an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied and an increase in the AFUDC rate.

Our effective income tax rate was 12.4% in the third quarter of 2015 and 11.6% in the third quarter of 2014. The effective income tax rate increased due to an increase in the Company's reserve for uncertain tax positions for certain qualifying infrastructure improvements for Aqua Pennsylvania.

Income from continuing operations decreased by $282 or 0.4%, primarily as a result of the factors described above.

Income from discontinued operations decreased by $285, primarily as a result of the sale of our water utility system in southwest Allen County, Indiana completed in the fourth quarter of 2014.

Net income attributable to common shareholders decreased by $567 or 0.8%, primarily as a result of the factors described above.

Analysis of First Nine Months of 2015 Compared to First Nine Months of 2014

Unless specifically noted, the following discussion of the Company's results of operations for the first nine months of 2015 refers to the Company's results of operations from continuing operations.

Revenues increased by $28,623 or 4.9%, primarily due to an increase in market-based activities revenues of $9,390 principally associated with acquisitions, an increase in water and wastewater rates of $7,514, additional water and wastewater revenues of $6,209 associated with a larger customer base due to utility acquisitions, and an increase in customer water consumption, offset by a decrease in infrastructure rehabilitation surcharges of $2,246.

Operations and maintenance expenses increased by $17,019 or 7.9%, primarily due to additional operating costs associated with acquired utility systems and market-based activities of $12,757, an increase in water production costs of $3,012, leadership transition expenses of $2,329, the recording of a reserve of $1,862 for water rights held for future use, an increase in legal fees of $1,642, and the effect of the favorable recognition of a regulatory asset in the second quarter of 2014 of $1,575, offset by a decrease in postretirement benefits expense of $2,966, a decrease in bad debt expense of $1,105, and reduced operating costs of $662 associated with severe winter weather conditions experienced in many of our service territories in the first quarter of 2014. The increase in water production costs of $3,012 was impacted by an increase in energy costs resulting from the extreme cold temperatures experienced in many of our service territories in the first quarter of 2015.

Depreciation expense increased by $1,841 or 2.0%, primarily due to the utility plant placed in service since September 30, 2014 and the absence of a credit recognized in the third quarter of 2014 for the effect of decreased depreciation rates implemented in our Texas operating subsidiary, offset by a decrease in depreciation rates, implemented in January 2015, for our Pennsylvania operating subsidiary.

Amortization expense decreased by $96, primarily due to the completion of the recovery of our costs associated with various completed rate filings.

Taxes other than income taxes increased by $5,136 or 13.5%, primarily due to an increase in property taxes of $2,838 largely due to the effect of a non-recurring credit realized in the first quarter of 2014 that resulted in a reduction in property taxes for our Ohio operating subsidiary, and an increase in capital stock taxes of $870 for our Pennsylvania operating subsidiary resulting from the effect of a favorable credit recorded in the third quarter of 2014.

Interest expense decreased by $589 or 1.0%, primarily due to a decrease in the effective interest rate on average borrowings as compared to the first nine months of 2014, offset by an increase in average borrowings.

Allowance for funds used during construction increased by $631, primarily due to an increase in the AFUDC rate and an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied.

Equity loss in joint venture decreased by $1,177 primarily due to a decrease in depreciation expense resulting from the January 2015 increase in the depreciable life for the joint venture’s pipeline assets.

Our effective income tax rate was 9.9% in the first nine months of 2015 and 10.8% in the first nine months of 2014. The effective income tax rate decreased due to the effect of additional tax deductions recognized in the first nine months of 2015 for certain qualifying infrastructure improvements for Aqua Pennsylvania, offset by an increase in the Company’s reserve for uncertain tax positions for certain qualifying infrastructure improvements for Aqua Pennsylvania.

Income from continuing operations increased by $8,426 or 5.1%, primarily as a result of the factors described above. On a diluted per share basis, income from continuing operations increased by $0.05, reflecting the change in income from continuing operations.

Income from discontinued operations decreased by $1,494, primarily as a result of the sale of our water utility system in southwest Allen County, Indiana completed in the fourth quarter of 2014.

Net income attributable to common shareholders increased by $6,932 or 4.2%, primarily as a result of the factors described above. On a diluted per share basis, earnings increased by $0.04 reflecting the change in net income attributable to common shareholders.

Impact of Recent Accounting Pronouncements

We describe the impact of recent accounting pronouncements in Note 15, *Recent Accounting Pronouncements*, of the consolidated financial statements in this report.

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, 2014. Refer to Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2014 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 Securities and Exchange Commission'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

We are party to various legal proceedings. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our properties is the subject that we believe are material or are expected to have a material adverse effect on our financial position, results of operations or cash flows.

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, 2014 under "Part 1, Item 1A – Risk Factors."

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

The following table summarizes the Company's purchases of its common stock for the quarter ended September 30, 2015:

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, 2015	165,287	$	24.95	161,000	803,348
August 1-31, 2015	161,169	$	25.69	161,000	642,348
September 1-30, 2015	161,000	$	25.13	161,000	481,348
Total	487,456	$	25.26	483,000	481,348

(1) These amounts include 4,456 shares we acquired from employees associated with the withholding of shares to pay certain withholding taxes upon the vesting of RSUs by delivering to us shares of our common stock in accordance with the terms of our equity compensation plan 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 plan. We purchased these shares at their fair market value, as determined by reference to the closing price of our common stock on the day of vesting of the RSUs.

(2) In December 2014, our Board of Directors authorized a share buyback program of up to 1,000,000 shares to minimize share dilution through timely and orderly share repurchases. This program expires on the earliest of December 31, 2015 or when all authorized repurchases have been made.

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 6, 2015

Aqua America, Inc.
Registrant

/s/ Christopher H. Franklin
Christopher H. Franklin
President and
Chief Executive Officer

/s/ David P. Smeltzer
David P. Smeltzer
Executive Vice President and
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Form of Change in Control Agreement between the Company and each of Daniel Schuller, Executive Vice President, and Richard Scott Fox, Chief Operating Officer*
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

*Indicates management contract

FORM OF AGREEMENT

THIS Agreement (the “Agreement”) made as of the **day of** **,** ____, is by and between, Aqua America, Inc., a Pennsylvania corporation (“Aqua America”), and ________________________ (the "Executive").

WHEREAS, effective on _________________, the Executive was [hired][promoted] to the position of _________________ with [Aqua America];

WHEREAS, Aqua America considers it essential to foster the employment of well-qualified, key management personnel and, in this regard, the board of directors of Aqua America recognizes that, as is the case with many publicly-held corporations such as Aqua America, the possibility of a change of control of Aqua America may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of key management personnel to the detriment of Aqua America;

WHEREAS, the board of directors of Aqua America has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of key members of management of Aqua America and its Subsidiaries to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change of control of Aqua America, although no such change is now contemplated; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, the parties hereto agree as follows:

1. Definitions. For all purposes of this Agreement, the following terms shall have the meanings specified in this Section unless the context clearly otherwise requires:

(a) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

(b) "Base Compensation" shall mean the Executive’s then-current base annual salary, plus the greater of the Executive’s target bonus for the year in which the Executive incurs a Termination of Employment, or the last actual bonus paid to the Executive under the Annual Cash Incentive Compensation Plan (or any successor plan maintained by Aqua America), in all capacities with Aqua America and its Subsidiaries or Affiliates. The Executive’s Base Compensation shall be determined prior to reduction for salary deferred by the

Executive under any deferred compensation plan of Aqua America and its Subsidiaries or Affiliates, or otherwise.

(c) A Person shall be deemed the "Beneficial Owner" of any securities: (i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange; (ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of any security under this clause (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or (iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing) for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to clause (ii) above) or disposing of any voting securities of Aqua America; provided, however, that nothing in this Section 1(c) shall cause a Person engaged in business as an underwriter of securities to be the "Beneficial Owner" of any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

(d) "Board" shall mean the board of directors of Aqua America.

(e) "Cause" shall mean 1) misappropriation of funds, 2) habitual insobriety or substance abuse, 3) conviction of a crime involving moral turpitude, or 4) gross negligence in the performance of duties, which gross negligence has had a material adverse effect on the business, operations, assets, properties or financial condition of Aqua America or its Subsidiaries and Affiliates.

(f) "Change in Control" shall mean:

(i) any Person (including any individual, firm, corporation, partnership or other entity except Aqua America, any subsidiary of Aqua America, any employee benefit plan of Aqua America or of any subsidiary, or any Person or entity organized, appointed or established by Aqua America for or pursuant to the terms of any such employee benefit plan), together with all Affiliates and Associates of such Person, shall become the Beneficial Owner in the aggregate of 20% or more of the Common Stock of Aqua America then outstanding;

(ii) during any twenty-four month period, individuals who at the beginning of such period constitute the Board cease for any reason to constitute a majority thereof, unless the election, or the nomination for election by Aqua America's shareholders, of at least seventy-five percent of the directors who were not directors at the beginning of such period was approved by a vote of at least seventy-five percent of the directors in office at the time of such election or nomination who were directors at the beginning of such period; or

(iii) there occurs a sale of 50% or more of the aggregate assets or earning power of Aqua America and its Subsidiaries, or its liquidation is approved by a majority of its shareholders or Aqua America is merged into or is merged with an unrelated entity such that following the merger the shareholders of Aqua America no longer own more than 50% of the resultant entity.

Notwithstanding anything in this subsection 1(f) to the contrary, a Change in Control shall not be deemed to have taken place under clause (f)(i) above if (i) such Person becomes the beneficial owner in the aggregate of 20% or more of the Common Stock of Aqua America then outstanding as a result, in the determination of a majority of those members of the Board of Directors of Aqua America in office prior to the acquisition, of an inadvertent acquisition by such Person if such Person, as soon as practicable, divests itself of a sufficient amount of its Common Stock so that it no longer owns 20% or more of the Common Stock then outstanding, or (ii) such Person becomes the beneficial owner in the aggregate of 20% or more of the Common Stock of Aqua America outstanding as a result of an acquisition of common stock by Aqua America which, by reducing the number of common stock outstanding, increases the proportionate number of shares of common stock beneficially owned by such Person to 20% or more of the shares of common stock then outstanding; provided, however that if a Person shall become the beneficial owner of 20% or more of the shares of common stock then outstanding by reason of common stock purchased by Aqua America and shall, after such share purchases by Aqua America become the beneficial owner of any additional shares of common stock, then the exemption set forth in this clause shall be inapplicable.

(g) "Equity Compensation Plan" shall mean Aqua America's 2009 Equity Compensation Plan, and its predecessors and successors.

(h) "Good Reason Termination" shall mean, except as otherwise provided in the last paragraph of this subsection (h), a Termination of Employment as a result of one or more of the following events, without the Executive's written consent to the event:

(i) any action or inaction that constitutes a material breach by Aqua America (or any successor thereto) of this Agreement;

(ii) a material diminution of the authority, duties or responsibilities of the Executive held immediately prior to the Change in Control;

(iii) a material diminution in the Executive's base salary, which, for purposes of this Agreement, means a reduction in base salary of ten (10) percent or more that does not apply generally to all executive officers of Aqua America; or

(iv) a material change in the geographic location at which the Executive must perform services under this Agreement, which, for purposes of this Agreement, means a requirement that the Executive be based at any office or location which is located more than fifty (50) miles from the Executive's primary place of employment immediately prior to the Change in Control on other than on a temporary basis (less than 6 months).

(v) a material diminution in the authority, duties, or responsibilities of the supervisor to whom the Executive is required to report, including a requirement that the Executive report to a corporate officer or employee instead of reporting directly to the board of directors of a corporation (or similar governing body with respect to an entity other than a corporation).

(vi) a material diminution in the budget over which the Executive retains authority.

A Termination of Employment after any of the foregoing events shall be a Good Reason Termination only if the Executive provides written notice to Aqua America of the existence of such event within ninety (90) days after the initial occurrence of such event, and Aqua America fails to remedy the event within thirty (30) days following the receipt of such notice.

(i) "Normal Retirement Date" shall mean the first day of the calendar month coincident with or next following the Executive's 65th birthday.

(j) "Subsidiary" shall mean any corporation in which Aqua America, directly or indirectly, owns at least a 50% interest or an unincorporated entity of which Aqua America, directly or indirectly, owns at least 50% of the profits or capital interests.

(k) "Termination Date" shall mean the date of receipt of the Notice of Termination described in Section 2 hereof or any later date specified therein, as the case may be.

(l) "Termination of Employment" shall mean the involuntary termination of the Executive's actual employment relationship with Aqua America and any of it Subsidiaries that actually employs the Executive.

2. Notice of Termination. Any Termination of Employment following a Change in Control shall be communicated by a Notice of Termination to the other party hereto given in accordance with Section 14 hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific provision in this Agreement relied upon, (ii) briefly summarizes the facts and circumstances deemed to provide a basis for the Executive's Termination of Employment under the provision so indicated, and (iii) if the Termination Date is other than the date of receipt of such notice, specifies the Termination Date (which date shall not be more than 15 days after the giving of such notice for a termination other than a Good Reason Termination, or, in the event of a Good Reason Termination, not more than 15 days after the end of the cure period.)

3. Severance Compensation upon Termination. Subject to the provisions of Section 11 and Section 23 hereof, in the event of the Executive's involuntary Termination of Employment for any reason other than Cause or in the event of a Good Reason Termination, in either event within two years after a Change in Control, Aqua America shall pay to the Executive, upon the execution of a release in the form required by Aqua America of its terminating executives prior to the Change in Control, a single lump sum cash payment in an amount equal to ________ **(__) times** the Executive's Base Compensation, plus a pro-rata share of the Executive’s target bonus Executive under the Annual Cash Incentive Compensation Plan (or any successor plan maintained by Aqua America) based on the portion of the calendar year elapsed at the time of the Executive’s Termination of Employment, subject to required employment taxes and deductions. Such payment shall be made to the Executive within 60 days following the Executive’s Termination of Employment.

4. Other Payments and Benefits. The payment due under Section 3 hereof shall be in addition to and not in lieu of any payments or benefits, due to the Executive under any other plan, policy or program of Aqua America, and its Subsidiaries or Affiliates; provided, however, that an Executive shall not be eligible for benefits under any severance or stay-on bonus plan maintained by Aqua America, or any of its Subsidiaries or Affiliates, if the Executive is entitled to receive benefits under this Agreement as a result of a Termination of Employment within two years following a Change in Control. In addition, if the Executive is entitled to a payment under Section 3 hereof, the Executive shall be entitled to

(a) an amount equal to (i) ____________**(__) months** of the COBRA rate in effect at the Executive's Termination of Employment, plus (ii) an additional amount which, after reduction for applicable income and employment taxes owed with respect to such additional amount, equals the income and employment taxes payable with respect to the amount described in clause (i), which shall be paid in a single lump sum at the time the benefit under Section 3 is paid; and

(b) fully-paid executive level reasonable outplacement services from the provider or the Executive's choice for ____ **(_) months** following the Termination Date. All reimbursements paid to the Executive for purposes of outplacement services shall be made or provided in accordance with Treas. Reg. §1.409A-1(b)(9)(v)(A).

5. Trust Fund. Aqua America sponsors an irrevocable trust fund pursuant to a trust agreement to hold assets to satisfy its obligations to the Executive under this Agreement. Funding of such trust fund shall be subject to the discretion of Aqua America's President and Chief Operating Officer, as set forth in the agreement pursuant to which the fund has been established.

6. Enforcement.

(a) In the event that Aqua America shall fail or refuse to make payment of any amounts due the Executive under Sections 3 and 4 hereof within the respective time periods provided therein, Aqua America shall pay to the Executive, in addition to the payment of any other sums provided in this Agreement, interest, compounded daily, on any amount remaining unpaid from the date payment is required under Section 3 or 4, as appropriate, until paid to the Executive, at the rate from time to time announced by PNC Bank, or its successor, as its "prime rate" plus 1%, each change in such rate to take effect on the effective date of the change in such prime rate.

(b) It is the intent of the parties that the Executive not be required to incur any expenses associated with the enforcement of his rights under this Agreement by arbitration, litigation or other legal action because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Executive hereunder. Accordingly, Aqua America shall pay the Executive the amount necessary to reimburse the Executive in full for all reasonable expenses (including all attorneys' fees and legal expenses) incurred by the Executive in enforcing any of the obligations of Aqua America under this Agreement within five business days following the Executive's request for the reimbursement.

7. No Mitigation. The Executive shall not be required to mitigate the amount of any payment or benefit provided for in this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for herein be reduced by any compensation earned by other employment or otherwise.

8. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in or rights under any benefit, bonus, incentive or other plan or program provided by Aqua America, or any of its Subsidiaries or Affiliates, and for which the Executive may qualify. Notwithstanding any provision of this Agreement to the contrary, an Executive shall not be eligible for benefits under any severance or stay-on bonus plan maintained by Aqua America, or any of its Subsidiaries or Affiliates, if the Executive is entitled to receive benefits under this Agreement as a result of a Termination of Employment within two years following a Change in Control. The provisions of this Agreement may require a variance from the terms and conditions of certain compensation or bonus plans under circumstances where such plans would not provide for payment thereof in order to obtain the maximum benefits for the Executive. It is the specific intention of the parties that the provisions of this Agreement shall supersede any provisions to the contrary in such plans, and such plans shall be deemed to have been amended to correspond with this Agreement without further action by Aqua America.

9. No Set-Off. Aqua America's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which Aqua America, or any of its Subsidiaries or Affiliates may have against the Executive or others.

10. Taxes. Any payment required under this Agreement shall be subject to all requirements of the law with regard to the withholding of taxes, filing, making of reports and the like, and Aqua America shall use its best efforts to satisfy promptly all such requirements.

11. Certain Reduction of Payments.

(a) In the event that it shall be determined that any payment or distribution in the nature of compensation (within the meaning of section 280G(b)(2) of the Code) to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would constitute an "excess parachute payment" within the meaning of section 280G of the Code, the aggregate present value of the Payments under the Agreement shall be reduced (but not below zero) to the Reduced Amount (defined below), provided that the reduction shall be made only if the Accounting Firm (described below) determines that the reduction will provide the Executive with a greater net after-tax benefit than would no reduction. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Payments under this Agreement without causing any Payment under this Agreement to be subject to the Excise Tax (defined below), determined in accordance with section 280G(d)(4) of the Code. The term "Excise Tax" means the excise tax imposed under section 4999 of the Code, together with any interest or penalties imposed with respect to such excise tax. The Company shall reduce the Payments under this Agreement by first reducing Payments that are not payable in cash and then by reducing cash Payments. Any Payment reductions made pursuant to this subsection (a) shall be nondiscretionary and made in the manner that (i) least reduces economic value to the Executive and (ii) amounts payable at different times with the same value shall be reduced pro-rata. Only amounts payable under this Agreement shall be reduced pursuant to this subsection (b). All determinations to be made under this subsection (b) shall be made by an independent certified public accounting firm selected by Aqua America immediately prior to the Change in Control (the "Accounting Firm"), which shall provide its determinations and any supporting calculations both to Aqua America and the Executive within 60 days of the Change in Control. Any such determination by the Accounting Firm shall be binding upon Aqua America and the Executive. All of the fees and expenses of the Accounting Firm in performing the determinations referred to in this subsection (b) shall be borne solely by Aqua America.

(b) All of the fees and expenses of the Accounting Firm in performing the determinations referred to in subsections (b) and (c) above shall be borne solely by Aqua America. Aqua America agrees to indemnify and hold harmless the Accounting Firm of and from any and all claims, damages and expenses resulting from or relating to its determinations pursuant to subsections (b) and (c) above, except for claims, damages or expenses resulting from the gross negligence or willful misconduct of the Accounting Firm.

12. Term of Agreement. The term of this Agreement shall be indefinite until Aqua America notifies the Executive in writing that this Agreement will not be renewed at least sixty days prior to the proposed termination; provided, however, that (i) after a Change in Control during the term of this Agreement, this Agreement shall remain in effect until all of the obligations of the parties hereunder are satisfied or have expired, and (ii) this Agreement shall terminate if, prior to a Change in Control, the employment of the Executive with Aqua America or one or more of its Subsidiaries, as the case may be, shall terminate for any reason; provided, however, that if a Change in Control occurs within 18 months after (a) the Executive’s termination incurred for any reason other than a voluntary resignation or retirement (a Good Reason Termination shall not be deemed voluntary) or termination for Cause or (b) the termination of this Agreement, the Executive shall be entitled to all of the terms and conditions of this Agreement as if the Executive’s termination had occurred on the date of the Change in Control.

13. Successor Company. Aqua America shall require any successor or successors (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business and/or assets of Aqua America, by agreement in form and substance satisfactory to the Executive, to acknowledge expressly that this Agreement is binding upon and enforceable against the successor or successors, in accordance with the terms hereof, and to become jointly and severally obligated with Aqua America to perform this Agreement in the same manner and to the same extent that Aqua America would be required to perform if no such succession or successions had taken place. Failure of Aqua America to notify the Executive in writing as to such successorship, to provide the Executive the opportunity to review and agree to the successor's assumption of this Agreement or to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement. As used in this Agreement, Aqua America means Aqua America and any successor or successors to its business and/or assets, jointly and severally.

14. Notice. All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be delivered personally or mailed by registered or certified mail, return receipt requested, or by overnight express courier service, as follows:

If to Aqua America, to:

Aqua America, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489
Attention: Chairman, Executive Compensation Committee

If to the Executive, to:

____
____
____

or to such other names or addresses as Aqua America or the Executive, as the case may be, shall designate by notice to the other party hereto in the manner specified in this Section; provided, however, that if no such notice is given by Aqua America following a Change in Control, notice at the last address of Aqua America or to any successor pursuant to Section 13 hereof shall be deemed sufficient for the purposes hereof. Any such notice shall be deemed delivered and effective when received in the case of personal delivery, five days after deposit, postage prepaid, with the U.S. Postal Service in the case of registered or certified mail, or on the next business day in the case of overnight express courier service.

15. Governing Law. This Agreement shall be governed by and interpreted under the laws of the Commonwealth of Pennsylvania without giving effect to any conflict of laws provisions.

16. Contents of Agreement, Amendment and Assignment. This Agreement supersedes all prior agreements, sets forth the entire understanding between the parties hereto with respect to the subject matter hereof, and cannot be changed, modified, extended or terminated except upon written amendment executed by the Executive and Aqua America. The provisions of this Agreement may require a variance from the terms and conditions of certain compensation or bonus plans under circumstances where such plans would not provide for payment thereof in order to obtain the maximum benefits for the Executive. It is the specific intention of the parties that the provisions of this Agreement shall supersede any provisions to the contrary in such plans, and such plans shall be deemed to have been amended to correspond with this Agreement without further action by Aqua America.

17. No Right to Continued Employment. Nothing in this Agreement shall be construed as giving the Executive any right to be retained in the employ of Aqua America or any of its Subsidiaries.

18. Successors and Assigns. All of the terms and provisions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, representatives, successors and assigns of the parties hereto, except that the duties and responsibilities of Aqua America hereunder shall not be assignable in whole or in part.

19. Severability. If any provision of this Agreement or application thereof to anyone or under any circumstances shall be determined to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions or applications of this Agreement which can be given effect without the invalid or unenforceable provision or application.

20. Remedies Cumulative; No Waiver. No right conferred upon the Executive by this Agreement is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. No delay or omission by the Executive in exercising any right, remedy or power hereunder or existing at law or in equity shall be construed as a waiver thereof.

21. Miscellaneous. All section headings are for convenience only. This Agreement may be executed in several counterparts, each of which is an original. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

22. Arbitration. In the event of any dispute under the provisions of this Agreement other than a dispute in which the sole relief sought is an equitable remedy such as an injunction, the parties shall be required to have the dispute, controversy or claim settled by arbitration in Bryn Mawr, Pennsylvania, in accordance with the National Rules for the Settlement of Employment Disputes of the American Arbitration Association, before one arbitrator who shall be an executive officer or former executive officer of a publicly traded corporation, selected by the parties. Any award entered by the arbitrator shall be final, binding and nonappealable and judgment may be entered thereon by either party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable. The arbitrator shall have no authority to modify any provision of this Agreement or to award a remedy for a dispute involving this Agreement other than a benefit specifically provided under or by virtue of the Agreement. Aqua America shall be responsible for all of the fees of the American Arbitration Association and the arbitrator and any expenses relating to the conduct of the arbitration (including reasonable attorneys' fees and expenses).

23. Section 409A of the Code.

(a) Compliance. This Agreement shall be interpreted to avoid any penalty sanctions under section 409A of the Code. If any payment or benefit cannot be provided or made at the time specified herein without incurring sanctions under section 409A, then such benefit or payment shall be provided in full at the earliest time thereafter when such sanctions will not be imposed. For purposes of section 409A of the Code, all payments to be made upon a Termination of Employment under this Agreement may only be made upon a "separation from service" under section 409A of the Code, each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement is to be treated as a right to a series of separate payments. In no event shall the Executive, directly or indirectly, designate the calendar year of any payments to be made to him under this Agreement. All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Treas. Reg. §1.409A-3(i)(1)(iv), including, where applicable, the requirement that (i) any reimbursement is for expenses incurred during the Executive's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred, and (iv) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

(b) Payment Delay. To the maximum extent permitted under section 409A of the Code, severance payments payable under this Agreement are intended to comply with the "short-term deferral exception" under Treas. Reg. §1.409A-1(b)(4), and any remaining amount is intended to comply with the "separation pay exception" under Treas. Reg. §1.409A-1(b)(9)(iii); provided, however, any amount payable to the Executive during the six-month period following the Executive's Termination of Employment that does not qualify within either of the foregoing exceptions and is deemed as deferred compensation subject to the requirements of section 409A of the Code, then such amount shall hereinafter be referred to as the "Excess Amount." If at the time of the Executive's Termination of Employment, the Executive is a "specified employee" (as defined in section 409A of the Code and determined in the sole discretion of Aqua America in accordance with Aqua America's " specified employee" determination policy), then Aqua

America shall postpone the commencement of the payment of the portion of the Excess Amount that is payable within the six-month period following the Executive's Termination of Employment for six months following the Executive's Termination of Employment. The delayed Excess Amount shall be paid in a lump sum to the Executive within thirty (30) days following the date that is six (6) months following the Executive's Termination of Employment, and any amount payable to the Executive after the expiration of such six (6) month period under this Agreement shall continue to be paid to the Executive in accordance with the terms of this Agreement. If the Executive dies during such six-month period and prior to the payment of the portion of the Excess Amount that is required to be delayed on account of section 409A of the Code, such Excess Amount shall be paid to the personal representative of the Executive's estate within thirty (30) days after the Executive's death, and any amounts not delayed shall be paid to the personal representative of the Executive's estate in accordance with the terms of this Agreement.

IN WITNESS WHEREOF, the undersigned, intending to be legally bound, have executed this Agreement as of the date first above written.

ATTEST: AQUA AMERICA, INC.

______________________________ By______________________________

Secretary

EXECUTIVE

______________________________ ______________________________

Witness

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER, PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

I, Christopher H. Franklin, 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.

/s/ Christopher H. Franklin
Christopher H. Franklin
President and Chief Executive Officer
November 6, 2015

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER, PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES AND EXCHANGE ACT OF 1934

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.

/s/David P. Smeltzer
David P. Smeltzer
Executive Vice President and Chief Financial Officer
November 6, 2015

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2015 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher H. Franklin, 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.

/s/ Christopher H. Franklin
Christopher H. Franklin
President and Chief Executive Officer
November 6, 2015

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q for the period ended September 30, 2015 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.

/s/David P. Smeltzer
David P. Smeltzer
Executive Vice President and Chief Financial Officer
November 6, 2015