AQUA AMERICA INC
Form DEF 14A
March 23, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Under Rule 14a-12

Aqua America, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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1) Title of each class of securities to which transaction applies:

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AQUA AMERICA, INC.

2016 ANNUAL MEETING OF SHAREHOLDERS

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LETTER FROM THE CHIEF EXECUTIVE OFFICER

TO OUR SHAREHOLDERS

Christopher Franklin

President & CEO

Dear Fellow Shareholder,

We are pleased to invite you to our 2016 Annual Meeting of Shareholders that will be held on Friday, May 6, 2016 at the Drexelbrook Banquet Facility & Corporate Events Center, 4700 Drexelbrook Drive, Drexel Hill, PA 19026 at 8:30 A.M. local time.

This year marks the Company s 130th anniversary a milestone that very few American companies are able to achieve, and one of which we are very proud. Aqua s rich history has seen tremendous growth, especially over the last two decades. We are excited for the growth opportunities our great company has in the coming years.

The new leadership team, established in 2015, experienced a number of notable accomplishments:

Revenues increased 4.4 percent to $814.2 million from $779.9 million in 2014.

Adjusted income from continuing operations per share was $1.26 compared to $1.20 in 2014 (non-GAAP financial measure)*.

The Board of Directors approved a 7.9 percent increase in the quarterly dividend.

We internally funded our entire 2015 capital investment program of $364.7 million to improve our distribution network and enhance water quality and reliability for our customers.

We increased our total customer connection count by 1.9 percent, which includes additional customers from organic and acquisition growth.

Standard and Poors reaffirmed their A+ rating for Aqua Pennsylvania.

Our total shareholder return was 14.18 percent in 2015, compared to 1.38 percent for the S&P 500 Index and -5.94% for the S&P MidCap 400 Utilities Index.

**2015 income from continuing operations per share was $1.14; adjusted income is a non-GAAP financial measure that excludes Aqua s share of a noncash joint venture impairment charge.*

Speaking on behalf of the entire new leadership team, we remain focused on investing in upgrading aging infrastructure, supporting the communities we serve, continuing to add customer connections through prudent acquisitions to share our financial strength and operational expertise with new communities, and refining and developing our market-based operations all to provide shareholder value. I am honored to serve as the new president and CEO of Aqua America, Inc., and look forward to seeing you at our annual meeting in May.

Sincerely,

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AQUA AMERICA, INC.

762 W. Lancaster Avenue

Bryn Mawr, Pennsylvania 19010

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Friday, May 6, 2016 at 8:30 A.M. local time

The Annual Meeting of Shareholders of AQUA AMERICA, INC. (the Company) will be held at the **Drexelbrook Banquet Facility & Corporate Events Center, 4700 Drexelbrook Drive, Drexel Hill, PA 19026** on **Friday**, **May 6, 2016**, at **8:30 A.M.**, local time, for the following purposes:

1. To consider and take action on the election of eight nominees for directors;

2. To consider and take action on the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the 2016 fiscal year;

3. To consider and take action on an advisory vote on the compensation paid to the Company s named executive officers for 2015, as disclosed in the Proxy Statement; and

4. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only shareholders of record at the close of business on March 7, 2016 will be entitled to notice of, and to vote at, the meeting and at any adjournments or postponements thereof.

By Order of the Board of Directors,

CHRISTOPHER P. LUNING

Secretary

March 23, 2016

We urge each shareholder to promptly sign and return the enclosed proxy card or to use telephone or internet voting. See our questions and answers about the meeting and the voting section for information about voting by telephone or internet, how to revoke a proxy and how to vote your shares in person.

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IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 6, 2016

The Notice of Annual Meeting, Proxy Statement and 2015 Annual Report to Shareholders

are available at: http://ir.aquaamerica.com/

AQUA AMERICA, INC.

762 W. Lancaster Avenue, Bryn Mawr, Pennsylvania 19010

PROXY STATEMENT

This proxy statement (the Proxy Statement) is furnished in connection with the solicitation of proxies by the Board of Directors (the Board of Directors or the Board) of Aqua America, Inc. (Aqua America or the Company) to be used the Annual Meeting of Shareholders to be held on Friday, May 6, 2016 and at any adjournments or postponements thereof (2016 Annual Meeting or the meeting).

The cost of soliciting proxies will be paid by the Company, which has arranged for reimbursement at the rate suggested by the New York Stock Exchange (the NYSE) of brokerage houses, nominees, custodians and fiduciaries for the forwarding of proxy materials to the beneficial owners of shares held of record. In addition, the Company has retained Alliance Advisors LLC to assist in the solicitation of proxies from (i) brokers, bank nominees and other institutional holders, and (ii) individual holders of record. The fee paid to Alliance Advisors LLC for normal proxy solicitation does not exceed $7,000 plus expenses, which will be paid by the Company. Directors, officers and regular employees of the Company may solicit proxies, although no compensation will be paid by the Company for such efforts.

Under rules adopted by the U.S. Securities and Exchange Commission (SEC), the Company is now furnishing proxy materials to many of its shareholders on the Internet, rather than mailing printed copies of those materials to each shareholder. If you received a notice of availability over the Internet of the proxy materials (Notice) by mail, you will not receive a printed copy of the proxy materials unless you request one. Instead, the Notice will instruct you as to how you may access and review the proxy materials on the Internet. If you received a Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice. The Notice is being sent to shareholders of record as of March 7, 2016 on or about March 25, 2016. Proxy materials, which include the Notice of Annual Meeting of Shareholders, this Proxy Statement and the Annual Report to Shareholders for the year ended December 31, 2015, including financial statements and other information with respect to the Company and its subsidiaries (the Annual Report), are first being made available to shareholders of record as of March 7, 2016, on or about March 25, 2016. Additional copies of the Annual Report may be obtained by writing to the Company at the address and in the manner set forth under Additional Information on page 72.

PURPOSE OF THE MEETING

As the meeting is the Annual Meeting of Shareholders, the shareholders of the Company will be requested to:

Consider and take action on the election of eight nominees for directors;

Consider and take action on the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the 2016 fiscal year;

Consider and take action on a non-binding advisory vote on the compensation paid to the Company s named executive officers as disclosed in this Proxy Statement; and

Transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

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QUESTIONS AND ANSWERS ABOUT THE 2016 ANNUAL MEETING

Who is entitled to vote?

Holders of shares of the Company s Common Stock (the Common Stock) of record at the close of business on March 7, 2016 are entitled to vote at the meeting.

Each shareholder entitled to vote shall have the right to one vote on each matter presented at the meeting for each share of Common Stock outstanding in such shareholder s name.

How many shares can vote?

As of March 7, 2016, there were 177,218,592 shares of Common Stock outstanding and entitled to be voted at the meeting.

How do I cast my vote?

Shares can be voted in the following four ways:

- in person at the meeting;
- by proxy at the meeting;
- electronically via the Internet, according to the instructions set out on the proxy card; and
- by telephone, according to the instructions set out on the proxy card.

What is the proxy?

The proxy card or electronic proxy that you are being asked to give is a means by which a shareholder may authorize the voting of his or her shares at the meeting if he or she is unable to attend in person. The individuals to whom you are giving a proxy to vote your shares are Christopher P. Luning, our senior vice president, general counsel and secretary, and David P. Smeltzer, our executive vice president and chief financial officer.

The shares of Common Stock represented by each properly executed proxy card or electronic proxy will be voted at the meeting in accordance with each

shareholder s direction. Shareholders are urged to specify their choices by marking the appropriate boxes on the proxy card or electronic proxy, or voting via telephone. If the proxy card or electronic proxy is signed, but no choice has been specified, the shares will be voted as recommended by the Board of Directors. If any other matters are properly presented at the meeting or any adjournment or postponement thereof for action, the proxy holders will vote the proxies (which confer discretionary authority to vote on such matters) in accordance with their judgment.

If a proxy is executed, can a shareholder still attend the meeting in person?

Yes. Execution of the accompanying proxy or voting through an electronic proxy or voting by telephone will not affect a shareholder s right to

attend the meeting and, if desired, vote in person. You can submit a proxy and still attend the meeting without voting in person.

Can a shareholder revoke or change his or her vote?

Yes. Any shareholder giving a proxy card or voting by electronic proxy or voting by telephone has the right to revoke the proxy or the electronic or telephonic vote by giving written notice of revocation to the Secretary of the Company at any time before the proxy is voted, by executing a proxy bearing a later date, by making a later-dated vote electronically or by telephone, or by attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a previously granted proxy.

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What are the voting requirements for the Board of Directors to take action on the proposals discussed in the Proxy Statement?

The Company s Articles of Incorporation and Bylaws, as amended, provide that the affirmative vote of a majority of the votes cast by those shareholders present in person or represented by proxy at the meeting is required to take action with respect to any matter properly brought before the meeting, other than the election of directors, on the recommendation of a vote of a majority of the entire Board of Directors. Abstentions and broker non-votes, if any, will have no effect with respect to such

matters, other than for purposes of determining the presence of a quorum.

The Company s Bylaws also provide that the affirmative vote of at least three quarters of the votes which all voting shareholders, voting as a single class, are entitled to cast is required to take action with respect to any other matter properly brought before the meeting, other than the election of directors, without the recommendation of a vote of a majority of the entire Board of Directors.

What is a quorum?

A quorum of shareholders is necessary to hold a valid meeting of shareholders for the transaction of business. The holders of a majority of the shares entitled to vote, present in person or represented by

proxy at the meeting, constitute a quorum. Abstentions and broker non-votes are counted as present and entitled to vote for purposes of determining a quorum.

What is a broker non-vote?

A broker non-vote occurs when a bank, broker or other holder of record holding shares for a beneficial owner does not vote on a particular proposal because that holder does not have discretionary voting power under NYSE rules for that particular item and has not received instructions from the beneficial owner.

If you are a beneficial owner, your bank, broker or other holder of record is permitted under NYSE rules to vote your shares on the ratification of

PricewaterhouseCoopers LLP as our independent registered public accounting firm for the 2016 fiscal year, even if the record holder does not receive voting instructions from you. The record holder may not vote on the election of directors or the advisory vote on the compensation paid to the Company s named executive officers for 2015 without instructions from you. Without your voting instructions on these matters, a broker non-vote will occur.

YOUR PROXY VOTE IS IMPORTANT. ACCORDINGLY, YOU ARE ASKED TO COMPLETE, SIGN AND RETURN THE PROXY CARD OR SUBMIT AN ELECTRONIC PROXY, VOTE TELEPHONICALLY OR PROVIDE YOUR BROKER WITH INSTRUCTIONS ON HOW TO VOTE YOUR SHARES, REGARDLESS OF WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING.

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PROPOSALS UNDER CONSIDERATION AT THIS MEETING

How are directors elected?

Under the Company s Articles of Incorporation and Bylaws, directors are elected by a plurality of the votes cast at the meeting. A description of the Company s majority voting resignation policy is set forth in the answer to the question below. Votes may be cast FOR or WITHHOLD for each nominee. Broker non-votes will be excluded entirely from the vote to elect directors and will have no effect, other

than for purposes of determining the presence of a quorum. The director nominees who receive the highest number of votes up to the number of directors to be elected will be elected at the meeting. All of the directors elected at the 2016 Annual Meeting will be elected for one year terms expiring at the 2017 Annual Meeting and until their successors are duly elected and qualified.

What if an incumbent director receives more WITHHOLD votes than FOR votes in an uncontested election?

In 2011, the Board of Directors adopted a majority voting resignation policy for the election of directors in uncontested elections. Under this policy, in an election where the only nominees are those recommended by the Board of Directors, any incumbent director who is nominated for re-election and who receives a greater number of WITHHOLD votes than FOR votes for the director s election shall promptly tender his or her resignation to the Board of Directors. The Board shall evaluate the relevant facts and circumstances in connection with such director s resignation, giving due consideration to the best interests of the Company and its shareholders. Within 90 days after the election, the independent directors shall make a decision on whether to accept or reject the tendered resignation, or whether other action should be taken. The Board

of Directors will promptly disclose publicly its decision and the reasons for its decision.

The Board of Directors believes that this process enhances accountability to shareholders and responsiveness to shareholder votes, while allowing the Board of Directors appropriate discretion in considering whether a particular director s resignation would be in the best interests of the Company and its shareholders.

The Company s majority voting resignation policy is set forth in the Company s Corporate Governance Guidelines. Copies of the Corporate Governance Guidelines can be obtained free of charge from the Corporate Governance portion of the Investor Relations section of the Company s website, *www.aquaamerica.com.*

Why are the shareholders asked to vote on the ratification of the selection of the independent registered public accounting firm?

The Audit Committee of our Board of Directors carefully considers the qualifications of the independent auditors before engaging them to conduct an audit, and has the oversight authority with respect to the performance of the independent auditors. The Board of Directors thinks it is important to provide an opportunity for the shareholders to voice any concern with respect to the independent auditors selected, which is the reason for this ratification vote. Under the

Company s Articles of Incorporation and Bylaws, the affirmative vote of a majority of the votes cast by those shareholders present in person or by proxy at the meeting is required to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the 2016 fiscal year. Abstentions will not be considered votes cast on this proposal and, therefore, will have no effect, other than for purposes of determining the presence of a quorum.

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What is the impact of the advisory vote on the compensation paid to the Company s named executive officers?

The Board of Directors and the Executive Compensation Committee, which is comprised of independent directors, value the opinions of the Company s shareholders and expect to take into account the outcome of the non-binding advisory

vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results.

PROCESS FOR SUBMITTING SHAREHOLDER PROPOSALS FOR THE NEXT ANNUAL MEETING

Who can submit a shareholder proposal at an Annual Meeting?

Shareholders may submit proposals, which are proper subjects for inclusion in the Company s Proxy Materials, which are this Proxy Statement and the form of proxy attached, for consideration at an

Annual Meeting of Shareholders, by following the procedures prescribed by Rule 14a-8(e) of the Securities Exchange Act of 1934, as amended.

What is the deadline for submitting shareholder proposals for inclusion in the Company s Proxy Materials for the next Annual Meeting?

To be eligible for inclusion in the Company s Proxy Materials relating to the 2017 Annual Meeting of Shareholders, proposals must be submitted in

writing and received by the Company at the address below no later than November 23, 2016.

What is the deadline for proposing business to be considered at the next Annual Meeting, but not to have the proposed business included in the Company s Proxy Materials?

A shareholder of the Company may wish to propose business to be considered at an Annual Meeting of Shareholders, but not to have the proposed business included in the Company s Proxy Materials relating to that meeting. Section 3.17 of the Company s Bylaws requires that the Company receive written notice of business that a shareholder wishes to present for consideration at the 2017 Annual Meeting of Shareholders (other than matters included in the Company s Proxy Materials) not earlier than January 8, 2017 nor later than February 7, 2017. The notice must meet certain

other requirements set forth in the Company s Bylaws. Copies of the Company s Bylaws can be obtained by submitting a written request to the Secretary of the Company at the address below:

Proposals, notices and requests for copy by our Bylaws should be addressed as follows:

CORPORATE SECRETARY

AQUA AMERICA, INC.

762 W. LANCASTER AVENUE

BRYN MAWR, PA 19010

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NOMINATING CANDIDATES FOR DIRECTOR

How does a shareholder nominate a director for election to the Board of Directors at the 2016 Annual Meeting?

A shareholder entitled to vote for the election of directors may make a nomination for director provided that written notice (the Nomination Notice) of the shareholder s intent to nominate a director at the meeting is filed with the Secretary of the Company prior to the 2016 Annual Meeting in accordance with provisions of the Company s Articles of Incorporation and Bylaws.

Section 4.14 of the Company s Bylaws requires the Nomination Notice to be received by the Secretary of the Company not less than 14 days nor more than 50 days prior to any meeting of the shareholders called for the election of directors, with certain exceptions. These notice requirements do not apply to nominations for which proxies are solicited under applicable regulations of the SEC. The Nomination Notice must contain or be accompanied by the following information:

1. Residence of the shareholder who intends to make the nomination;
2. A representation that the shareholder is a holder of record of voting stock and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the Nomination Notice;
3. Such information regarding each nominee as would have been required to be included in a proxy statement filed pursuant to the SEC s proxy rules had each nominee been nominated, or intended to be nominated, by the management or the Board of Directors of the Company;
4. A description of all arrangements or understandings among the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; and
5. The consent of each nominee to serve as a director of the Company if so elected.

What is the deadline for submitting a Nomination Notice for the 2016 Annual Meeting?

Pursuant to the above requirements, a Nomination Notice for the 2016 Annual Meeting must be

received by the Secretary of the Company no later than April 22, 2016.

CONSIDERATION OF DIRECTOR CANDIDATES

Who chooses director candidates?

The Corporate Governance Committee identifies, evaluates and recommends director candidates to our Board of Directors for nomination. The process followed by our Corporate Governance Committee to identify and evaluate director candidates includes

requests to current directors and others for recommendations, consideration of candidates proposed by shareholders, meetings from time to time to evaluate potential candidates and interviews of selected candidates.

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How are director candidates evaluated?

In considering candidates for director, the Corporate Governance Committee will consider the candidates personal abilities, qualifications, independence, knowledge, judgment, character, leadership skills, education, background and their expertise and experience in fields and disciplines relevant to the Company, including financial expertise or financial literacy. When assessing a candidate, consideration will be given to the effect such candidate will have on the diversity of the Board. Diversity of the Board is evaluated by considering a broad range of attributes, such as background, demographic (including, without limitation, race, gender and national origin),

expertise and experience. Due consideration will also be given to the position the candidate holds at the time of his or her nomination and his or her capabilities to advance the Company s interests with its various constituencies. The Corporate Governance Committee considers all of these qualities when selecting, subject to ratification by our Board of Directors, candidates for director.

The Corporate Governance Committee will evaluate shareholder-recommended candidates in the same manner as it evaluates candidates recommended by others.

What is the deadline for submitting a shareholder recommendation for a director candidate at the 2017 Annual Meeting?

If you would like a director candidate considered by the Corporate Governance Committee for selection as a nominee at the 2017 Annual Meeting, such recommendation should be submitted to the Chairperson of the Corporate Governance

Committee at least 120 days before the date on which the Company first mailed its proxy materials for the prior year s Annual Meeting of Shareholders that is, with respect to the 2017 Annual Meeting, no later than November 23, 2016.

COMMUNICATIONS WITH THE COMPANY OR INDEPENDENT DIRECTORS

The Company receives many shareholder suggestions which are not in the form of proposals. All are given careful consideration. We welcome and encourage your comments and suggestions. Your correspondence should be addressed as follows:

CORPORATE SECRETARY

AQUA AMERICA, INC.

762 W. LANCASTER AVENUE

BRYN MAWR, PA 19010

In addition, shareholders or other interested parties may communicate directly with the independent directors or the lead independent director by writing

to the address set forth below. The Company will review all such correspondence and provide any comments along with the full text of the shareholder s or other interested party s communication to the independent directors or the lead independent director.

THE INDEPENDENT DIRECTORS OR

LEAD INDEPENDENT DIRECTOR

AQUA AMERICA, INC.

C/O CORPORATE SECRETARY

762 W. LANCASTER AVENUE

BRYN MAWR, PA 19010

PROPOSAL NO. 1

ELECTION OF DIRECTORS

All of the directors who are elected, will be elected for a one-year term expiring at the 2017 Annual Meeting, and until their successors are duly elected and qualified. In accordance with the Company s Corporate Governance Guidelines, the Chairperson of the Corporate Governance Committee reported to the Corporate Governance Committee that Christopher H. Franklin, Nicholas DeBenedictis, Carolyn J. Burke, Richard H. Glanton, Lon R. Greenberg, William P. Hankowsky, Wendell F. Holland, and Ellen T. Ruff would be willing to serve on the Board of Directors, if elected. The Corporate Governance Committee reviewed the qualifications of the directors in relation to the criteria for candidates for nomination for election to the Board of Directors under the Company s Corporate Governance Guidelines. The Corporate Governance Committee voted to recommend to the Board of Directors, and the Board of Directors approved, the nomination of Mr. Franklin, Mr. DeBenedictis, Ms. Burke, Mr. Glanton, Mr. Greenberg, Mr. Hankowsky, Mr. Holland, and Ms. Ruff, for election as directors at the 2016 Annual Meeting, with each nominee abstaining from the vote with respect to his or her nomination.

Therefore, eight directors will stand for election by a majority of the votes cast at the 2016 Annual Meeting. At the 2016 Annual Meeting, proxies in the accompanying form, properly executed, will be voted for the election of the nominees listed below, unless authority to do so has been withheld in the manner specified in the instructions on the proxy card or the record holder does not have discretionary voting power under the NYSE rules (see What is the proxy? on page 2 and Proposals Under Consideration at This Meeting on page 4). Discretionary authority is reserved to cast votes for the election of a substitute should any nominee be unable or unwilling to serve as a director. Each nominee has stated his or her willingness to serve and the Company believes that the nominees will be available to serve.

INFORMATION REGARDING NOMINEES

For each of the eight nominees for election as directors at the 2016 Annual Meeting, set forth below is information as to the positions and offices with the Company held by each, the principal occupation of each during the past five years, the directorships of public companies and other organizations held by each and the experience, qualifications, attributes or skills that, in the opinion of the Corporate Governance Committee and the Board of Directors make the individual qualified to serve as a director of the Company. The chart below summarizes the experience, qualifications, attributes, and skills of each of the nominees.

Experience, Qualifications, Attributes and Skills	**Utility Industry**	**Regulatory**	**Financial**	**Legal/ Government**	**Leadership**
FRANKLIN	X	X	X	X	X

DeBenedictis	X	X	X	X	X
Burke	X	X	X		X
Glanton				X	X
Greenberg	X	X	X	X	X
Hankowsky			X	X	X
Holland	X	X		X	X
Ruff	X	X		X	X

NOMINEES FOR ELECTION AT THE 2016 ANNUAL MEETING

CHRISTOPHER H. FRANKLIN

PRESIDENT AND CHIEF EXECUTIVE OFFICER, AQUA AMERICA, INC.

AGE: 50

DIRECTOR SINCE 2015

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

Biography: Christopher H. Franklin is President and Chief Executive Officer of Aqua America. Previously, Mr. Franklin served as the Executive Vice President and President and Chief Operating Officer, Regulated Operations (January 2012 to 2015); Regional President Midwest and Southern Operations and Senior Vice President, Public Affairs (January 2010 to January 2012); Regional President Southern Operations and Senior Vice President, Public Affairs and Customer Relations (February 2007 to 2010); Vice President, Public Affairs and Customer Relations (May 2005 to February 2007); Vice President, Corporate and Public Affairs (1997 to May 2005); and Manager Corporate & Public Affairs (January 1992 to 1997).

Qualifications: Since joining Aqua America in December 1992 as manager, corporate and public affairs, Mr. Franklin headed several successful projects, including advocacy for the passage of legislation designed to provide customers of state-regulated water and wastewater utilities with improved water quality and better water and wastewater systems while allowing a fair and reasonable return for shareholders. Mr. Franklin also attained national print and broadcast media coverage for the company, changed the name and rebranded the company and its subsidiaries, and expanded its investor relations outreach to increase analyst coverage of the company. Before joining Aqua America, Mr. Franklin worked at PECO Energy Company (an Exelon company) where he was regional, civic and economic development officer, responsible for the review, recommendation and promotion of economic development initiatives in the Philadelphia region. Mr. Franklin earned his B.S. from West Chester University and his M.B.A. from Villanova University and serves on the board of directors of ITC Inc. (NYSE: ITC), where he chairs the board committee on operations and serves on the board audit committee. ITC is an electric transmission utility headquartered in Novi, Michigan. In addition, Mr. Franklin is active in the community and serves on the following nonprofit boards: University of Pennsylvania Board of Trustees, Philadelphia, PA and West Chester University s Council of Trustees, West Chester, PA.

NICHOLAS DEBENEDICTIS

NON-EXECUTIVE CHAIRMAN OF THE BOARD OF DIRECTORS AND FORMER CEO, AQUA AMERICA, INC.

AGE: 70

DIRECTOR SINCE 1992

MEMBER, EXECUTIVE COMMITTEE

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

Biography: Mr. DeBenedictis retired as Chief Executive Officer of the Company on June 30, 2015 and currently serves as non-executive Chairman of the Board, a position that he has held since July 2015. Mr. DeBenedictis has been Chairman of the Board since May 1993. Between April 1989 and June 1992, he served as Senior Vice President for Corporate Affairs of PECO Energy Company (an Exelon Corporation). From December 1986 to

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April 1989, he served as President of the Greater Philadelphia Chamber of Commerce and from 1983 to 1986 he served as the Secretary of the Pennsylvania Department of Environmental Resources. Mr. DeBenedictis is a director of Exelon Corporation, P.H. Glatfelter Company and Mistras Group. He also serves on the Boards of Pennsylvania area non-profit, civic and business organizations

Qualifications: In addition to his knowledge and experience as the Company s Chief Executive Officer from 1992 to 2015, and his prior experience as a senior executive of a major electric utility, Mr. DeBenedictis has experience as the head of Pennsylvania s environmental regulatory agency. He serves as a director of three other public companies, including, from time to time, as a member of the corporate governance, audit, finance and compensation committees of those companies. Mr. DeBenedictis has also held leadership positions with various, educational, business, civic and charitable institutions. The Board of Directors views Mr. DeBenedictis experience with various aspects of the utility industry and his demonstrated leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors conclusion that Mr. DeBenedictis should serve as a director of the Company.

CAROLYN J. BURKE

EXECUTIVE VP BUSINESS OPERATIONS AND SYSTEMS, DYNEGY, INC.

AGE: 49

Biography: This is the first nomination of Carolyn Burke as a director of the Company. Ms. Burke serves as Executive Vice President, Business Operations and Systems at Dynegy, Inc with overall responsibility for Supply Chain, Safety, Environmental, Information Technology, Construction & Engineering, Outage Services and PRIDE-Dynegy s signature continuous margin and process improvement program. She also retains her role as Chief Integration Officer with overall responsibility for integration activities, most recently for Dynegy s $6 billion EquiPower Corp. and Duke merchant portfolio acquisitions, and Dynegy s project management office. From 2011 to 2014, Ms. Burke served as Dynegy s Chief Administrative Officer with overall responsibility for corporate functions including Communications, Human Resources, Information Technology, Investor Relations and Regulatory Affairs. Prior to joining Dynegy, Ms. Burke served as Global Controller for J.P. Morgan s Global Commodities business. She was also NRG Energy s Vice President and Corporate Controller from 2006 to 2008 and Executive Director of Planning and Analysis from 2004 to 2006. Early in her career, she held various key financial roles at Yale University, the University of Pennsylvania and at Atlantic Richfield Company (now British Petroleum). Ms. Burke graduated from Wellesley College with a BA in Economics and Political Science and earned her MBA at The University Chicago Booth School of Business.

Qualifications: Ms. Burke has over 20 years of experience in various roles within the energy and infrastructure industry with responsibilities ranging from accounting and finance, to information technology and human resources to operations and environmental compliance. The Board of Directors views Ms. Burke s independence, her broad experience in finance and operations, and her leadership roles within the industry as important qualifications, skills and experience that support the Board of Directors conclusion that Ms. Burke should serve as a director of the Company.

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RICHARD H. GLANTON

LEAD INDEPENDENT DIRECTOR, AQUA AMERICA, INC.

FOUNDER, CHAIRMAN AND CEO, ELECTEDFACE INC.

AGE: 69

DIRECTOR SINCE 1995

MEMBER, EXECUTIVE COMMITTEE

CHAIR, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

Biography: Mr. Glanton is Founder, Chairman and Chief Executive Officer of ElectedFace Inc., an on-line social media website which consolidates 21 of the most proven and popular social media features and functions into one platform to connect individuals and organizations of all types, including government officials and agencies, educational institutions and their leaders, businesses, faith groups, cultural icons and establishments, and community organizations and associations. Mr. Glanton was Senior Vice President of Corporate Development at Exelon Corporation from 2003 to 2008. From 1983 to 2003, he was a partner at the law firms of Wolf Block LLP (1983 to 1986) and Reed Smith LLP (1986 to 2003). Mr. Glanton is a director of The GEO Group, Inc. and Mistras Group, Inc.

Qualifications: Mr. Glanton has more than 25 years of legal experience in law firms and 13 years of executive experience as President of The Barnes Foundation for more than eight years from 1990 to 1998 and at Exelon Corporation. Mr. Glanton has approximately 29 years of continuous experience serving on boards of publicly traded companies. He has served as a director on boards of five publicly traded companies, four of which are traded on the NYSE and one, CGU, is traded on the United Kingdom Stock Exchange. He served as a Director of CGU of North America, a British-based Insurance Company, from 1983 to 2003 when it was sold to White Mountain Group of Exeter, New Hampshire and Berkshire Hathaway. He was a member of both its Executive and Audit Committees during his 20-year tenure on that board. From 1990 until 2003, he served as Director of PECO Energy/Exelon Corporation Boards until he resigned to assume a senior management position within the company at the request of its Chairman. He served on the Executive, Audit and Governance Committees of PECO/Exelon. He has been a director of the GEO Group since 1998, where he serves on its three member Executive Committee, and as Chairman of the Audit and Finance Committee and a member of its Governance and Compensation Committees. The Board has determined that Mr. Glanton is an independent director. The Board of Directors views Mr. Glanton s independence, his experience in utility acquisitions, his experience as a director of other publicly traded companies and his demonstrated leadership roles in other business activities as important qualifications, skills and experience that support the Board of Directors conclusion that Mr. Glanton should serve as a director of the Company.

LON R. GREENBERG

CHAIRMAN EMERITAS OF THE BOARD AND RETIRED CEO, UGI CORPORATION

AGE: 65

DIRECTOR SINCE 2005

CHAIR, EXECUTIVE COMPENSATION COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, AUDIT COMMITTEE

Biography: Mr. Greenberg retired from his position as non-executive Chairman of the Board of Directors of UGI Corporation on January 28, 2016, where he served as Chairman since August 1996 and Chief Executive Officer since August 1995, until his retirement in April 2013. He was formerly President (July 1994 to

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August 2005), Vice Chairman of the Board (1995 to 1996) and Senior Vice President Legal and Corporate Development (1989 to 1994) of UGI Corporation. Mr. Greenberg is a member of the Board of Trustees of Temple University and the Chairman of the Board of Trustees of the Temple University Health System. Mr. Greenberg also serves as a director of Ameriprise Financial, Inc. and AmerisourceBergen Corporation.

Qualifications: Mr. Greenberg has over 20 years of experience in various executive, legal and corporate development roles with a major gas utility and energy services company and international distributor of propane. He was also Chairman of the nation s largest retail propane marketer and he serves as a director for a NYSE listed financial planning, products and services company, as well as a NYSE listed global pharmaceutical sourcing and distribution services company. He is a member of the Board of Trustees of a major university in Philadelphia and the university s health system. Mr. Greenberg has served as a member of the Company s Executive Compensation Committee since 2005, and was appointed Committee Chairman in 2015. He has served as a member of the Company s Audit Committee since 2009, serving as Chairman from 2012 through 2015. Mr. Greenberg has also held leadership positions with various civic and charitable institutions. The Board of Directors has determined that Mr. Greenberg is an independent director, financially literate and an audit committee financial expert within the meaning of applicable SEC rules. The Board of Directors views Mr. Greenberg s independence, his experience with various aspects of the utility industry, his experience as an executive of a non-utility business and his demonstrated leadership roles in business and community activities as important qualifications, skills and experience that support the Board of Directors conclusion that Mr. Greenberg should serve as a director of the Company.

WILLIAM P. HANKOWSKY

CHAIRMAN, PRESIDENT AND CEO, LIBERTY PROPERTY TRUST

AGE: 65

DIRECTOR SINCE 2004

CHAIR, AUDIT COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, CORPORATE GOVERNANCE COMMITTEE

MEMBER, EXECUTIVE COMPENSATION COMMITTEE

Biography: Mr. Hankowsky has been Chairman, President and Chief Executive Officer of Liberty Property Trust, a fully integrated real estate firm, since 2003. Mr. Hankowsky joined Liberty in 2001 as Executive Vice President and Chief Investment Officer. Prior to joining Liberty, he served for 11 years as President of the Philadelphia Industrial Development Corporation. Prior to that, he was Commerce Director for the City of Philadelphia. Mr. Hankowsky serves on the Board of Directors of Citizens Financial Group and on various charitable and civic boards, including the Philadelphia Convention and Visitors Bureau and the Pennsylvania Academy of Fine Arts.

Qualifications: Mr. Hankowsky has over 35 years of experience managing public, private and non-profit organizations, including eleven years as Chairman and Chief Executive Officer of Liberty Property Trust, a publicly traded Real Estate Investment Trust which owns 100 million square feet of office and industrial space in over 24 markets throughout the United States and the United Kingdom. He has experience in financing, acquisitions and real estate matters across the United States. Mr. Hankowsky has also held leadership positions with various cultural and civic institutions in the greater Philadelphia region. The Board of Directors has determined that Mr. Hankowsky is an independent director, financially literate and an audit committee financial expert within the meaning of applicable SEC rules. The Board of Directors views Mr. Hankowsky s independence, his experience with real estate, financing and acquisitions and his demonstrated leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors conclusion that Mr. Hankowsky should serve as a director of the Company.

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WENDELL F. HOLLAND

PARTNER, CFSD GROUP, LLC

AGE: 64

DIRECTOR SINCE 2011

MEMBER, CORPORATE GOVERNANCE COMMITTEE

MEMBER, RISK MITIGATION AND INVESTMENT POLICY COMMITTEE

Biography: Mr. Holland has been a partner in CFSD Group, LLC, advisors for local and regional utility financing, since July 2009. Mr. Holland was partner in the law firm of Saul Ewing, LLP from October 2008 to September 2013. Mr. Holland served as Chairman of the Pennsylvania Public Utility Commission from 2004 to 2008 and as a Commissioner from 1990 to 1993, and 2003 to 2004. Mr. Holland was Of Counsel to the law firm of Obermayer Rebman from 1999 to 2003, Vice President of American Water Works Company from 1996 to 1999 and a partner at the law firm of LeBoeuf Lamb Greene and McRae from 1993 to 1995. He has served as Treasurer of the National Association of Utility Regulatory Commissioners (NARUC) and also served on NARUC s Executive Committee, Board of Directors, and as Chairman of its Audit and Investment Committees. He is a member of the Board of Bryn Mawr Trust Bank and was a member of the Allegheny Energy Board of Directors from 1994 to 2003.

Qualifications: Mr. Holland has extensive knowledge and experience in the regulation of public utilities, especially water utilities. His experience as chairman of the Public Utility Commission in Pennsylvania for four years and a Commissioner for an additional four years enables him to provide valuable insight into the regulatory process. His prior service as a member of the Board of Directors of a large, publicly traded energy company also enables him to play a meaningful role on the Company s Board of Directors. As outside counsel to, and an executive at other public utility companies, he has a valuable perspective on the various issues facing public utility companies. The Board of Directors has determined that Mr. Holland is an independent director. The Board of Directors views Mr. Holland s independence, his experience with utility regulation and utility operations, his reputation in the utility industry and his leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors conclusion that Mr. Holland should serve as a director of the Company.

ELLEN T. RUFF

PARTNER, MCGUIREWOODS, LLP AND FORMER PRESIDENT, DUKE ENERGY

AGE: 67

DIRECTOR SINCE 2006

CHAIR, CORPORATE GOVERNANCE COMMITTEE

MEMBER, EXECUTIVE COMMITTEE

MEMBER, EXECUTIVE COMPENSATION COMMITTEE

MEMBER, AUDIT COMMITTEE

Biography: Ms. Ruff is a partner in the law firm of McGuireWoods, LLP. She was President, Office of Nuclear Development, for Duke Energy Corporation, from December 2008 until her retirement in January 2011. Duke Energy Corporation is a leading energy company focused on electric power and gas distribution operations and other energy services in the Americas. From April 2006 through December 2008, Ms. Ruff was President of Duke Energy Carolinas, an electric utility that provides electricity and other services to customers in North Carolina and South Carolina. Ms. Ruff joined the Duke Energy organization in 1978 and during her career held a number of key positions, including: Vice President and General Counsel of Corporate, Gas and Electric

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Operations; Senior Vice President and General Counsel for Duke Energy; Senior Vice President of Asset Management for Duke Power; Senior Vice President of Power Policy and Planning; and Group Vice President of Planning and External Affairs. Ms. Ruff is a retired director of Mistras Group, Inc.

Qualifications: Ms. Ruff has over 30 years of experience with a major utility company in various management, operations, legal planning and public affairs positions. Ms. Ruff has lived and worked in North Carolina, an important area of the Company s operations, for many years. Ms. Ruff has served as a member of the Company s Executive Compensation Committee since 2006. The Board of Directors has determined that Ms. Ruff is an independent director. The Board of Directors views Ms. Ruff s independence, her experience with various aspects of the utility industry, her knowledge of North Carolina and her demonstrated leadership roles in business and community activities as important qualifications, skills and experience supporting the Board of Directors conclusion that Ms. Ruff should serve as a director of the Company.

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CORPORATE GOVERNANCE

The Board of Directors operates pursuant to a set of written Corporate Governance Guidelines. Copies of these Guidelines can be obtained free of charge from the Corporate Governance portion of the Investor Relations section of the Company s website, *www.aquaamerica.com*. Our website is not part of this Proxy Statement. References to our website address in this Proxy Statement are intended to be inactive textual references only.

In accordance with best practices and its commitment to strong corporate governance, in 2015 the Board of Directors retained a renowned corporate governance advisor to review the Company s corporate governance guidelines and practices. In the fall of 2015, the Board of Directors adopted the following changes to its corporate governance practices:

- term limits for board members (described under the heading Age and Term Limits below);
- retention of a mandatory retirement age (described under the heading Age and Term Limits below); and
- rotation of committee Chairpersons at least every five years (first implemented in December 2015).

In addition, the Board of Directors continues to focus on succession planning as an important component of good governance. The search for and recruitment of Carolyn J. Burke as a nominee to join the Company s Board of Directors is a result of that commitment.

DIRECTOR INDEPENDENCE

The Board of Directors is, among other things, responsible for determining whether each of the directors is independent in light of any relationship such director may have with the Company. The Board has adopted Corporate Governance Guidelines that contain categorical standards of director independence that are consistent with the listing standards of the NYSE. Under the Company s Corporate Governance Guidelines, a director will not be deemed independent if:

- The director is, or has been within the last three years, an employee of the Company, or an immediate family member is, or has been within the last three years, an executive officer of the Company;
- (A) the director or an immediate family member is a current partner of a firm that is the Company s internal or external auditor, (B) the director is a current employee of such a firm, (C) the director has an immediate family member who is a current employee of such a firm and personally works on the Company s audit, or (D) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such firm and personally worked on the Company s audit within that time;
- The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of the Company s present executive officers at the same

time serves or served on that company s compensation committee;

The director has received, or has an immediate family member who has received, during any twelve- month period within the last three years, more than $120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) and, in the case of an immediate family member who is not an executive officer, other than compensation for service as an employee of the Company;

The director is an executive officer or employee, or someone in her/his immediate family is an executive officer, of another company that, during any of the other company s past three fiscal years

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made payments to, or received payments from, the Company for property or services in an amount which, in any single fiscal year of the other company, exceeded the greater of $1 million or 2% of the other company s consolidated gross revenues; or

The director serves as an executive officer of a charitable organization and, during any of the charitable organization s past three fiscal years, the Company made charitable contributions to the charitable organization in any single fiscal year of the charitable organization that exceeded the greater of $1 million or two percent of the charitable organization s consolidated gross revenues.

For purposes of the categorical standards set forth above, (a) a person s immediate family includes a person s spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, and brothers- and sisters-in-law and anyone (other than domestic employees) who shares such person s home, (b) the term executive officer has the same meaning specified for the term officer in Rule 16a-1(f) under the Exchange Act, and (c) the Company includes Aqua and its consolidated subsidiaries.

In addition to these categorical standards, no director will be considered independent unless the Board of Directors affirmatively determines that the director has no material relationship with the Company (either directly, or as a partner, stockholder, director or officer, of an organization that has a relationship with the Company). When making independence determinations, the Board of Directors broadly considers all relevant facts and circumstances surrounding any relationship between a director or nominee and the Company. Transactions, relationships and arrangements between directors or members of their immediate family and the Company that are not addressed by the categorical standards may be material depending on the relevant facts and circumstances of such transactions, relationships and arrangements. The Board of Directors considered the following transactions, relationships and arrangements in connection with making the independence determinations for the current board of directors:

1. The Company made contributions to charitable or civic organizations for which the following directors serve as directors, trustees or executive officers: Mr. Glanton, Mr. Greenberg, Mr. Hankowsky. None of the Company s contributions exceeded the greater of $1 million or 2% of the recipient organization s consolidated gross revenues.

2. The Company purchases energy at normal tariff rates from UGI Corporation or its affiliates. Mr. Greenberg served as non-executive Chairman of UGI Corporation until January 28, 2016. The amounts paid by the Company to these UGI Corporation entities are not material to these entities.

3. The Company provides water service at normal tariff rates to Liberty Property Trust and UGI Corporation or their respective affiliates, provides water service to Dynegy or its affiliates pursuant to a contractually negotiated rate that is filed with the Pennsylvania Public Utility Commission, and provides water service to a company for which Mr. Holland is a member of the Board of Directors. Mr. Hankowsky serves as an executive officer of Liberty Property Trust, and Mr. Greenberg, served as Chairman of UGI Corporation during 2015. The amounts paid to the Company by these other entities are pursuant to tariff rates or a contract that is filed with the Pennsylvania Public Utility Commission and are not material to these other entities.

4. The Company has banking arrangements with Citizens Financial Group or its affiliates, and Mr. Hankowsky is a member of the Board of Directors of Citizens Financial Group. The amounts paid by the Company to Citizens Financial Group are not material to these entities.

Based on a review applying the standards set forth in the Company s Corporate Governance Guidelines and considering the relevant facts and circumstances of the transactions, relationships and arrangements between the directors and the Company described above, the Board of Directors has affirmatively determined that each nominee for director, other than Mr. Franklin, the Company s Chief Executive Officer, and Mr. DeBenedictis, the Company s former Chief Executive Officer, is independent.

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BOARD OF DIRECTORS LEADERSHIP STRUCTURE

Mr. Franklin serves as Chief Executive Officer and Mr. DeBenedictis serves as the non-executive Chairman of the Board. The Board of Directors believes this structure provides continuity and efficiency for the Company and best utilizes the skills and experience of Mr. Franklin and Mr. DeBenedictis. Under this present structure, the Board of Directors annually elects a lead independent director to coordinate the activities of the other independent directors and enhance the role of the independent directors in the overall corporate governance of the Company. Mr. Glanton is currently the Lead Independent Director. The duties and powers of the lead independent director include:

- Presiding at all meetings of the Board at which the Chairman of the Board is not present, including executive sessions of the independent directors;
- Serving as liaison between the independent directors and the Chairman of the Board;
- Consulting with the Chairman of the Board, reviewing and approving meeting agendas and information provided to the Board for meetings, including the authority to add items to the agendas for any such meeting;
- Reviewing and approving meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- Having the authority to call executive sessions of the independent directors and to prepare the agendas for such executive sessions;
- If requested by major shareholders, ensures that he or she is available for consultation and direct communications;
- Serving as a member of the Executive Committee;
- In the event of the death or incapacity of the Chairman, becoming the acting Chairman of the Board until a new Chairman is selected; and
- Having the authority (with the approval of at least the majority of the directors) to engage such legal, financial or other advisors as the independent directors shall deem appropriate at the expense of the Company and without consultation or the need to obtain approval of any officer of the Company.

AGE AND TERM LIMITS

The Board believes that term limits are an important element of good governance. However, it also believes that it must strike the appropriate balance between the contribution of directors who have developed, over a period of time, meaningful insight into the Company and its operations, and therefore can provide an increasing contribution to the Board as a whole. Accordingly, in 2015 the Board established that upon the fifteenth anniversary of a director accepting an initial appointment or election to the Board of Directors, the director shall tender his resignation to the Board (the Term Limit Policy). The Term Limit Policy does not apply to Directors who were elected on or before December 1, 2015.

The Board also believes that our policy of retirement for directors at age 72 is in the best interests of the Company. All directors are required to submit their resignation from the Board effective as of their 72nd birthday.

Oversight of Risk Management

The Board oversees management s risk management activities through a combination of processes:

In 2015, the Board created the Risk Mitigation and Investment Policy Committee. Pursuant to its charter, the purpose of Risk Mitigation and Investment Policy Committee is to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the Company s risk management practices, the Company s compliance with legal and regulatory requirements, and to review and approve the Company s risk management framework.

Management has developed a Company-wide Enterprise Risk Management process intended to identify, prioritize and monitor key risks that may affect the Company.

At least quarterly, the Risk Mitigation and Investment Policy Committee reviews this Enterprise Risk Management process and management presents to the Board a report on the status of the risks and the metrics used to monitor those risks. Each risk that is tracked as part of the Enterprise Risk Management process has a member of the Company s management who serves as the owner and monitor for that risk. The risk owners and monitors report on the status of their respective risks at the quarterly meeting of management s Compliance Committee. The information discussed at the Compliance Committee meeting is then reviewed by the Disclosure Committee composed of the Company s Chief Executive Officer, Chief Financial Officer, General Counsel, Chief Accounting Officer and Director of Internal Audit. The results of the Disclosure Committee s meetings are presented to the Risk Mitigation and Investment Policy Committee or the Audit Committee each quarter, as appropriate.

The Audit Committee, in consultation with management, the independent registered public accountants and the internal auditors, discusses the Company s policies and guidelines regarding risk assessment and risk management as well as the Company s significant financial risk exposures and the steps management has taken to monitor, control and report such exposures. The Audit Committee meets in executive session with the Director of Internal Audit and with the independent registered public accountants at the end of each Audit Committee meeting. The Company s General Counsel reports to the Audit Committee quarterly regarding any significant litigation involving the Company and his opinion of the adequacy of the Company s reserves for such litigation. At least annually, the Executive Compensation Committee considers the risks that may be presented by the structure of the Company s compensation programs and the metrics used to determine individual compensation under that program. In addition, the Executive Compensation Committee shares its views and opinions with the Audit Committee concerning the risk assessment and risk management it undertakes in its consideration of the Company s compensation policies and practices.

The Corporate Governance Committee leads an annual discussion by the Board of Directors regarding the Company s strategic plans and management s performance with respect to such plans.

Management briefs the Board of Directors on regulated acquisitions valued in excess of $2 million and the Board approves every acquisition valued in excess of $10 million or which involves the issuance of the Company s common stock as part of the acquisition. Management briefs the Board of Directors on unregulated acquisitions and projects valued in excess of $1 million.

In addition to updates at each Board meeting by operating management regarding any significant operational or environmental matters, management provides the Board with an annual update on environmental matters by the Company s Senior Manager, Environmental Affairs in connection with a presentation by the Company s Senior Vice President of Engineering on the Company s proposed capital spending plans.

In administering the executive compensation program, the Executive Compensation Committee attempts to strike an appropriate balance among the elements of our compensation program to achieve the program s objectives. Each of the elements of the program is discussed in greater detail in this Proxy Statement. As a result of its review of the Company s overall compensation program in the context of the risks identified in the Company s enterprise risk management processes, the Executive Compensation Committee does not believe that the risks the Company faces are materially increased by the Company s compensation programs and, therefore, the Executive Compensation Committee believes that the compensation program does not create the reasonable likelihood of a material adverse effect on the Company.

The Board believes that the present leadership structure, along with the important risk oversight functions performed by the Audit Committee, the Risk Mitigation and Investment Policy Committee, the Executive Compensation Committee and the full Board, permits the Board to effectively perform its role in the risk oversight of the Company.

Code of Ethics

The Company maintains a Code of Ethical Business Conduct for its directors, officers and employees, including the Company s Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, as defined by the rules adopted by the SEC pursuant to Section 406(a) of the Sarbanes-Oxley Act of 2002. The Code of Ethical Business Conduct covers a number of important subjects, including: conflicts of interest; corporate opportunities; fair dealing; confidentiality; protection and proper use of Company assets; compliance with laws, rules and regulations (including insider trading laws); and encouraging the reporting of illegal or unethical behavior. Copies of the Company s Code of Ethical Business Conduct can be obtained free of charge from the Corporate Governance portion of the Investor Relations section of the Company s website, *www.aquaamerica.com*. The Company intends to post amendments to or waivers from the Code of Ethical Business Conduct (to the extent applicable to the Company s executive officers, senior financial officers or directors) on its website.

Anti-Hedging Policy

We believe that issuance of incentive and compensatory equity awards to our named executive officers along with our stock ownership guidelines help to align the interests of such officers with our shareholders. As part of our insider trading policy, we prohibit any officers from engaging in hedging activities with respect to any owned shares or outstanding equity awards. Such policy also discourages pledges of any Company stock by officers, and requires Company notice and approval. None of our named executive officers pledged any shares of Company stock during 2015.

Policies and Procedures for Approval of Related Person Transactions

The Board has a written policy with respect to related person transactions to document procedures pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction in which: (1) the Company is a participant, (2) any related person has a direct or indirect material interest, and the annual amount involved exceeds $120,000, but excludes certain types of transactions in which the related person is deemed not to have a material interest.

Under this policy, a related person means: (a) any person who is, or at any time since the beginning of the Company s last fiscal year was, a director, an executive officer or a director nominee; (b) any person known to be the beneficial owner of more than 5% of any class of the Company s voting securities; (c) any immediate family member of a person identified in items (a) or (b) above, meaning such person s spouse, parent, stepparent, child, stepchild, sibling, mother- or father-in-law, son- or daughter-in-law, brother- or sister-in-law or any other individual (other than a tenant or employee) who shares the person s household; or (d) any entity that employs any person identified in (a), (b) or (c) or in which any person identified in (a), (b) or (c) directly or indirectly owns or otherwise has a material interest.

The Corporate Governance Committee, with assistance from the Company s General Counsel, is responsible for reviewing, approving and ratifying any related person transaction. In its review and approval or ratification of related person transactions (including its determination as to whether the related person has a material interest in a transaction), the Corporate Governance Committee will consider, among other factors:

The nature of the related person s interest in the transaction;

The material terms of the transaction, including, without limitation the amount and type of transaction;

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The importance of the transaction to the related person;

The importance of the transaction to the Company;

Whether the transaction would impair the judgment of a director or executive officer to act in the best interests of the Company; and

Any other matters the Corporate Governance Committee deems appropriate.

The Corporate Governance Committee intends to approve only those related person transactions that are in, or are not inconsistent with, the best interests of the Company and its shareholders.

BOARD AND BOARD COMMITTEES

The Company s Bylaws provide that the Board of Directors, by resolution adopted by a majority of the whole Board, may designate an Executive Committee and one or more other committees, with each such committee to consist of two or more directors except for the Audit Committee and Executive Compensation Committee, which must have at least three members. The Board of Directors annually elects from its members the Executive, Audit, Executive Compensation, Risk Mitigation and Investment Policy, and Corporate Governance Committees. The Board may also from time to time appoint ad hoc committees such as an Executive Search Committee to oversee the Company s succession planning activities. The Retirement and Employee Benefits Committee, which is comprised of senior management of the Company, reports periodically to the Board of Directors.

Michael L. Browne, a member of the Board of Directors since 2013, served as a member of the Board of Directors during 2015. He resigned from the Board of Directors on March 11, 2016. At the time of his resignation, Mr. Browne was a member of the Company s Audit Committee and its Executive Compensation Committee. The Board subsequently filled the vacancies on March 15, 2016.

The Board of Directors held twelve (12) meetings in 2015. Each director attended at least 75% of the aggregate of all meetings of the Board and the Committees on which each such director served in 2015. The Board of Directors encourages all directors to attend the Company s Annual Meeting of Shareholders. All the directors were in attendance at the 2015 Annual Meeting of Shareholders.

Each of the standing Committees of the Board of Directors operates pursuant to a written Committee Charter. Copies of these Charters can be obtained free of charge from the Corporate Governance portion of the Investor Relations section of the Company s website, *www.aquaamerica.com*. The members of the standing Committees of the Board of Directors, as of December 31, 2015, were as follows:

Name	Executive Committee	Executive Compensation Committee	Audit Committee	Risk Mitigation & Investment Policy Committee	Corporate Governance Committee

FRANKLIN				X	
DEBENEDICTIS	Chair			X	
BROWNE (1)		X	X		
GLANTON	X			Chair	
GREENBERG	X	Chair	X		
HANKOWSKY (2)	X		Chair		X
HOLLAND				X	X
RUFF (3)	X	X			Chair

(1) On March 11, 2016, Mr. Browne resigned from the Board.
(2) On March 15, 2016, the Board appointed Mr. Hankowsky to the Executive Compensation Committee.
(3) On March 15, 2016, the Board appointed Ms. Ruff to the Audit Committee. Ms. Ruff is not a financial expert within the meaning of the applicable SEC rules.

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Executive Committee

The Company s Bylaws provide that the Executive Committee shall have and exercise all of the authority of the Board in the management of the business and affairs of the Company, with certain specified exceptions. The Executive Committee is intended to serve in the event that action by the Board of Directors is necessary or desirable between regular meetings of the Board, or at a time when convening a meeting of the entire Board is not practical, and to make recommendations to the entire Board with respect to various matters. The Executive Committee currently has five members, and the Chairman of the Board of Directors serves as Chairman of the Executive Committee. The Executive Committee met once in 2015.

Audit Committee

The Audit Committee is composed of three directors, whom the Board of Directors has affirmatively determined meet the standards of independence required of audit committee members by the NYSE listing requirements and applicable SEC rules. Based on a review of the background and experience of the members of the Audit Committee, the Board of Directors has determined that, currently, all members of the Audit Committee, except for Ms. Ruff, are financially literate and are audit committee financial experts within the meaning of applicable SEC rules. The Audit Committee operates pursuant to a Board-approved charter which states its duties and responsibilities. The primary responsibilities of the Audit Committee are to monitor the integrity of the Company s financial reporting process and systems of internal controls, including the review of the Company s annual audited financial statements, and to monitor the independence of the Company s independent registered public accounting firm. The Audit Committee is required to meet at least four times during the year and met four times during 2015.

The Audit Committee has the exclusive authority to select, evaluate and, where appropriate, replace the Company s independent registered public accounting firm. The Audit Committee has considered the extent and scope of non-audit services provided to the Company by its independent registered public accounting firm and has determined that such services are compatible with the independent registered public accounting firm maintaining its independence.

Executive Compensation Committee

The Executive Compensation Committee is composed of three directors, whom the Board of Directors has affirmatively determined are independent directors as defined by the NYSE listing requirements and applicable SEC rules. The Executive Compensation Committee operates pursuant to a Board-approved charter which states its duties and responsibilities. The Executive Compensation Committee has the power to, among other things, administer and make awards under the Company s equity compensation plans. The Executive Compensation Committee reviews the recommendations of the Company s Chief Executive Officer as to appropriate compensation of the Company s executive officers (other than the Chief Executive Officer) and determines the compensation of such executive officers. The Committee reviews and recommends to the Board of Directors the compensation for the Company s Chief Executive Officer, which is subject to final approval by the independent members of the Board of Directors. The Executive Compensation Committee met five times during 2015.

Corporate Governance Committee

The Corporate Governance Committee is composed of three directors, whom the Board of Directors has affirmatively determined are independent directors as defined by the NYSE listing requirements. The Corporate Governance Committee operates pursuant to a Board-approved charter which states its duties and responsibilities, which include identifying and considering qualified nominees for directors, and developing and periodically reviewing the Corporate Governance Guidelines by which the Board of Directors is organized and executes its responsibilities. The Corporate

Governance Committee advises the Board of Directors on executive

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selections and succession, including ensuring that there is a succession plan for the Chief Executive Officer and such other senior executives as determined by the Corporate Governance Committee. The Corporate Governance Committee also reviews and approves, ratifies or rejects related person transactions under the Company s written policy with respect to related person transactions. The Corporate Governance Committee met five times during 2015.

Risk Mitigation and Investment Policy Committee

The Risk Mitigation and Investment Policy Committee was formed on December 1, 2015 and is composed of four directors and the Company s Chief Financial Officer. The Risk Mitigation and Investment Policy Committee operates pursuant to a Board approved charter, which states its duties and responsibilities. The Committee oversees the Company s risk management process, policies, and procedures for identifying, managing and monitoring critical risks, including cyber related risks, and its compliance with legal and regulatory requirements. The Committee communicates with other Board of Directors Committees to avoid overlap and potential gaps in overseeing the Company s risks. The Risk Mitigation and Investment Policy Committee advises the Board of Directors in its performance of its oversight of enterprise risk management. The Risk Mitigation and Investment Policy Committee met once during 2015.

Executive Search Committee

During 2015, the Board of Directors had an ad hoc Executive Search Committee composed of all eight directors, chaired by Mr. Glanton, the lead independent director, which was charged with oversight of the Company s succession planning activities. The Executive Search Committee Chairman held separate meetings on fourteen occasions and the Executive Search Committee met eight times during 2015.

DIRECTOR COMPENSATION

In December 2015, the Board of Directors approved a revised directors compensation program effective January 1, 2016. Upon the recommendation of its Executive Compensation Committee, the Board of Directors approved the following directors compensation for 2016 for the non-employee directors of Aqua America, Inc.: (1) an annual cash retainer of $75,000; (2) an annual cash retainer for the Chair of the Executive Compensation Committee of $12,500; (3) an annual cash retainer for the Chair of the Audit Committee of $12,500; (4) an annual cash retainer for the Chair of the Corporate Governance Committee of $10,000; (5) an annual cash retainer for the Chair of the Risk Mitigation Committee of $10,000; (6) an annual cash retainer for the Lead Independent Director of $25,000; (7) an annual stock grant to directors of $75,000; and (8) the non-executive Chairman shall be paid a retainer in the amount of $175,000 per year and the normal director equity award as set forth above. All directors are reimbursed for reasonable expenses incurred in connection with attendance at Board or Committee meetings.

As a component of this program, the Board of Directors approved share ownership guidelines for each director to own shares of Company common stock having a value equal to five times the annual base cash retainer for directors. Directors have up to three years to attain this new guideline share ownership level.

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The following table sets forth the compensation paid to the Aqua America Board of Directors in 2015:

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Option Awards ($)	Non-Equity Incentive Plan Compen-sation ($)($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compen-sation ($)	Total ($)
Nicholas DeBenedictis (3)							
Michael L. Browne	94,250	60,811					155,061
Richard H. Glanton	139,500	60,811					200,311
Lon R. Greenberg	101,625	60,811					162,436
William P. Hankowsky	109,125	60,811					169,936
Wendell F. Holland	88,250	60,811					149,061
Ellen T. Ruff	84,750	60,811					145,561
Andrew J. Sordoni III (4)	63,250						63,250
Christopher H. Franklin (5)							

(1) Includes, for all directors except Messrs. DeBenedictis and Franklin: (a) an annual cash retainer of $50,000 per year; (b) Board meeting fees of $2,000 per meeting; (c) Committee meeting fees of $1,500 per meeting; (d) an annual Committee Chair retainer of $12,500 for the Chairs of the Audit Committee and the Executive Compensation Committee; (e) $10,000 for the Chairs of the Corporate Governance Committee and the Risk Mitigation & Investment Policy Committee; and, (e) an annual Lead Independent Director fee of $25,000 for the Lead Independent Director.

(2) Directors received an annual stock grant of $60,000 of Company stock, rounded to the nearest 100 shares on the first of the month following the Annual Meeting of Shareholders. The grant date fair value of stock and option awards is based on their fair market value on the date of grant as determined under FASB s accounting standard for stock compensation. The assumptions used in calculating the fair market value under FASB s accounting standard for stock compensation are set forth in the Employee Stock and Incentive Plan footnote to the Company s audited financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2015.

(3) Mr. DeBenedictis was an officer for 6 months of 2015 and an employee for 3 months of 2015. The annual Non-Independent Chairman fee was $200,000 per year. Mr. DeBenedictis was eligible to receive fees for only the last quarter of 2015, which was paid in 2016.

(4) Mr. Sordoni retired from the Board of Directors prior to the annual stock grant.

(5) As an officer of the Company, Mr. Franklin does not receive any fees for his service on the Board of the Directors.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR THE ELECTION OF MR. FRANKLIN, MR. DEBENEDICTIS, MS. BURKE, MR. GLANTON, MR. GREENBERG, MR. HANKOWSKY, MR. HOLLAND, AND MS. RUFF AS DIRECTORS.

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PROPOSAL NO. 2

RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE COMPANY FOR THE 2016 FISCAL YEAR

The Audit Committee of the Board of Directors appointed PricewaterhouseCoopers LLP (PwC) as the independent registered public accounting firm for the Company for the 2016 fiscal year. PwC has been the Company s independent registered public accountants since 2000. The Board of Directors recommends that the shareholders ratify the appointment.

Although shareholder ratification of the appointment of PwC is not required by law or the Company s Bylaws, the Board of Directors believes that it is desirable to give our shareholders the opportunity to ratify the appointment. If the shareholders do not ratify the appointment of PwC, the Audit Committee will take this into consideration and may or may not consider the appointment of another independent registered public accounting firm for the Company for future years. Even if the appointment of PwC is ratified, the Audit Committee may, in its discretion, direct the appointment of a different independent registered public accounting firm during the year if the Audit Committee determines such a change would be in the best interests of the Company. Representatives of PwC are expected to be present at the 2016 Annual Meeting of Shareholders, will have the opportunity to make a statement at the meeting if they desire to do so, and will be available to respond to appropriate questions.

PwC has informed us that they are not aware of any independence-related relationships between their firm and the Company other than the professional services discussed in Services and Fees below. Under the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), the Audit Committee is responsible for the appointment, compensation and oversight of the work of the independent registered public accounting firm. As a result, the Audit Committee is required to pre-approve the audit and non-audit services performed by the independent registered public accounting firm in order to assure that such services do not impair the auditor s independence from the Company. The Audit Committee has established a procedure to pre-approve all auditing and non-auditing fees proposed to be provided by the Company s independent registered public accounting firm prior to engaging the accountants for that purpose. Consideration and approval of such services occurs at the Audit Committee s regularly scheduled meetings, or by unanimous consent of all the Audit Committee members between meetings. All fees and services were pre-approved by the Audit Committee for the 2015 fiscal year.

Services and Fees

The following table presents the fees paid to PwC for professional services rendered with respect to the 2015 fiscal year and 2014 fiscal year:

	Fiscal Year	
	2015	2014

Audit Fees (1)	$ 1,370,000	$ 1,321,500
Audit-Related Fees		
Tax Fees (2)	$ 31,617	$ 31,068
All Other Fees (3)	$ 3,980	$ 9,872
Total	$ 1,405,597	$ 1,362,440

(1) Represents fees for any professional services provided in connection with the audit of the Company s annual financial statements (including the audit of internal control over financial reporting), reviews of the Company s interim financial statements included in Form 10-Qs, audits of the Company s subsidiaries and services in connection with the issuance of securities.

(2) Represents fees for any professional services in connection with the review of the Company s federal and state tax returns and advisory services for other tax compliance, tax planning and tax advice.

(3) Represents software licensing fees for accounting research, disclosure checklists and conflict of minerals assessment assistance.

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal control. In fulfilling its oversight responsibilities, the Audit Committee reviewed and discussed with management the audited financial statements in the Annual Report, including: the quality of the accounting principles, practices and judgments; the reasonableness of significant judgments; the clarity of disclosures in the financial statements; and the integrity of the Company s financial reporting processes and controls. The Committee also discussed the selection and evaluation of the independent registered public accounting firm, including the review of all relationships between the independent registered public accounting firm and the Company.

The Audit Committee reviewed with the independent registered public accounting firm, which is responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles in the United States of America, their judgments as to the quality of the Company s accounting principles and such other matters as required to be discussed by the Auditing Standard No. 16, Communications with Audit Committees as adopted by the Public Company Accounting Oversight Board. In addition, the Audit Committee has discussed with the independent registered public accounting firm the firm s independence from management and the Company, including the matters in the written disclosures required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant s communications with the Audit Committee concerning independence, and considered the compatibility of non-audit services with the accountants independence.

The Audit Committee discussed with the Company s internal auditors and independent registered public accounting firm, the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditors and independent registered public accounting firm, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors approved, the inclusion of the Company s audited financial statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the SEC.

Respectfully submitted,

William P. Hankowsky, Chairman

Lon R. Greenberg

Ellen T. Ruff

The foregoing Audit Committee report shall not be deemed incorporated by reference by any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2016 FISCAL YEAR.

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PROPOSAL NO. 3

ADVISORY VOTE ON THE COMPENSATION PAID TO THE COMPANY S

NAMED EXECUTIVE OFFICERS FOR 2015

The Company has chosen to present its shareholders with an advisory (non-binding) vote on the executive compensation program as described in this Proxy Statement for our named executive officers (sometimes referred to as Say on Pay) each year. Accordingly, the following resolution is being presented by the Board of Directors at the 2016 Annual Meeting:

RESOLVED, that the compensation paid to the company s named executive officers for 2015,

as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion

and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

This vote is non-binding. The Board of Directors and the Executive Compensation Committee, which is comprised of independent directors, expect to take into account the outcome of the vote when considering future executive compensation decisions to the extent they can determine the cause or causes of any significant negative voting results.

As described in detail under our Compensation Discussion and Analysis on pages 28 through 50 of this Proxy Statement, our executive compensation program is designed to motivate our executives to achieve our primary goals of providing our customers with quality, cost-effective and reliable water and wastewater services and providing our shareholders with a long-term, positive return on their investment. We believe that our executive compensation program, with its balance of short-term incentives and long-term incentives and share ownership guidelines, reward sustained performance that is aligned with the interests of our customers, employees and long-term shareholders. Shareholders are encouraged to read the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS FOR 2015 AS DISCLOSED IN THE COMPENSATION DISCUSSION AND ANALYSIS, THE ACCOMPANYING COMPENSATION TABLES AND THE RELATED NARRATIVE DISCLOSURE IN THIS PROXY STATEMENT.

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COMPENSATION DISCUSSION AND ANALYSIS

AND 2015 EXECUTIVE COMPENSATION

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COMPENSATION DISCUSSION AND ANALYSIS

INTRODUCTION

In this Compensation Discussion and Analysis (CD&A), we address our compensation philosophy and program, and compensation paid or awarded to the following named executive officers: Christopher H. Franklin, our President and Chief Executive Officer since July 1, 2015, and our Chief Operating Officer, Regulated Operations through June 30, 2015, the executive officers serving as officers of the Company as of December 31, 2015 and individuals who served as an executive officer during 2015 but were not executive officers at the end of the year listed in the Summary Compensation Table that immediately follows this CD&A. We refer to these executive officers as our named executive officers. As used in this CD&A, the total of base salary and annual cash incentive compensation is referred to as total cash compensation and the total of base salary, annual cash incentive compensation and equity incentive compensation is referred to as total direct compensation. The purpose of the CD&A is to explain: the elements of compensation; why our Executive Compensation Committee selects these elements; and how the Executive Compensation Committee determines the relative size of each element of compensation.

Compensation decisions for Messrs. Smeltzer, Schuller, Fox, Luning, and Ross were made by the Executive Compensation Committee. Compensation decisions for Messrs. Franklin and DeBenedictis were made by the independent members of our Board of Directors after receiving the recommendations of the Executive Compensation Committee.

Mr. DeBenedictis retired as Chief Executive Officer of the Company, effective July 1, 2015 when Christopher H. Franklin was promoted from Chief Operating Officer, Regulated Operations to Chief Executive Officer and President. To assist in the transition of duties, Mr. DeBenedictis remained an employee of the Company until September 30, 2015. Mr. DeBenedictis received a prorated salary in 2015 based on his continued employment with the Company through September 30, 2015. In addition, Mr. DeBenedictis received a prorated annual bonus primarily based on his target bonus award opportunity. Mr. DeBenedictis also received compensation for his role as non-executive Chairman of the Board from October 1, 2015 through December 31, 2015. See Compensation of Directors Directors Compensation Table and accompanying narrative for additional information.

Based on input from Pay Governance LLC (Pay Governance or the consultant), the independent compensation consultant retained by the Executive Compensation Committee (the Compensation Committee), we believe that the types of compensation vehicles we use and the relative proportion of the named executive officers total direct compensation represented by these vehicles is consistent with current competitive compensation practices. We believe our program s performance measures align the interests of our stakeholders and our named executive officers by correlating pay to our short-term and long-term performance. We measure the competitiveness of our program for our named executive officers against the median compensation for comparable positions at other companies in our benchmark market composed of other investor owned utilities. Since compensation levels often vary based on company s revenues, we adjust the Company s revenues in the manner described below to align with the companies in the benchmark market. We then size adjust the market data using revenue-based regression analysis to determine the market rates for our named executive officer positions. Our goal is to provide total direct compensation that is competitive with the market rates for each named executive officer. Based on the information supplied by the consultant, the total target direct compensation for each of our named executive officers was at or below the median of the benchmark market data for each of their positions during 2015.

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Executive Summary

Our 2015 performance demonstrates continued execution of our strategic goals and plans. During 2015, by effectively managing costs, strategically growing when it was prudent, maintaining strong regulatory relationships, and focusing on our customers, employees and shareholders as we continued to create value for all of our stakeholders, we had the following results:

- Revenues increased 4.4% to $814.2 million from $779.9 million in 2014;
- Adjusted income from continuing operations was $223.2 million, an increase of 4.37% compared to 2014*;
- Adjusted income from continuing operations per share was $1.26 compared to $1.20 in 2014*;
- The Board of Directors approved a 7.9% increase in the quarterly dividend;
- The Company s annualized dividend rate is now $0.712 per share, compared to $0.66 at the same time in 2014;
- We internally funded our entire 2015 capital investment program of $364.7 million to improve our distribution network and enhance water quality and reliability for our customers;
- We added more than 10,500 customer connections through regulated water and wastewater acquisitions, including 4 municipal deals;
- We increased our total customer connection count by 1.9%, which includes additional customers from organic and acquisition growth;
- We completed 4 rate cases along with ongoing surcharges, expected to increase annualized revenues by $8.6 million;
- Standard and Poor s reaffirmed their A+ rating for Aqua Pennsylvania;
- We lowered our weighted average cost of fixed rate, long-term debt to 4.57%;

We repurchased 805,000 shares as part of a buy-back program to minimize shareholder dilution from the vesting of equity programs; and

Our Total Shareholder Return was 14.18% in 2015, compared to 1.38% for the S&P 500 Index and 5.94% for the S&P MidCap 400 Utilities Index.

**2015 income from continuing operations was $201.8 million and $1.14 on a per-share basis; adjusted income is a non-GAAP financial measure that excludes Aqua s share of a noncash joint venture impairment charge.*

OBJECTIVES OF OUR COMPENSATION PROGRAM

Our compensation program for named executive officers is designed to:

Provide a competitive level of total compensation;

Motivate and encourage our named executive officers to contribute to our financial success;

Retain talented and experienced named executive officers; and

Reward our named executive officers for leadership excellence and performance that promotes sustainable growth in shareholder value.

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Align Interests of named Executive Officers and Shareholders

We supplement our pay-for-performance program with a number of compensation policies intended to align the interests of management and our shareholders. The following are several key features of our executive compensation program:

At Aqua America, we do:	At Aqua America, we do not:
ü Tie a high ratio of our executive s pay to corporate and individual performance	ü Provide golden parachute tax gross ups
ü Require significant stock ownership	ü Permit pledging or hedging of Aqua America securities
ü Tie incentive compensation to a claw back policy	ü Provide a single trigger severance upon a change of control
ü Comply with our equity award policy	ü Provide employment agreements to a broad group
ü Use an independent compensation consultant	ü Encourage excessive or inappropriate risk taking through our compensation programs

Our executive compensation program is designed to balance a number of objectives, as detailed in this CD&A. The following is a summary of the material elements of the compensation practices and policies that are part of our executive compensation program:

A substantial portion of our named executive officers total direct compensation is performance-based;

A majority of the long-term equity incentives for our named executive officers is performance-based;

The Company uses multiple metrics to assess performance in its long-term equity incentives;

The Company has an incentive compensation clawback policy for awards paid under its annual cash incentive plan, and long-term equity incentive grants are subject to the applicable clawback policies implemented by the Board of Directors from time to time;

There are stock ownership guidelines for each named executive officer;

The Company has ceased the practice of providing tax gross-ups in any new change-in-control agreements;

The Company has an anti-hedging and pledging policy;

The Company s change-in-control agreements are double trigger, in that the named executive officer receives severance only if a change-in-control occurs and his employment is terminated within a designated period; and

The annual equity awards since 2011 are double trigger, requiring termination of employment following a change-in-control for acceleration of payment prior to the normal payment date.

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The table below shows the portion of each named executive officer s 2015 total direct compensation that is considered performance-based (i.e., annual cash incentives and performance-based equity incentives).

Name	2015 Cash Incentive Paid in 2016	2015 Performance Units	Total Percentage Performance-based Compensation
FRANKLIN	30%	28%	58%
SMELTZER	26%	25%	51%
FOX	24%	22%	46%
SCHULLER	25%	27%	52%
LUNING	24%	25%	49%
ROSS	21%	20%	41%
DEBENEDICTIS	42%	0%	42%
KYRISS	22%	26%	48%

With respect to the named executive officer s total direct compensation, at least 60% of the named executive officer s compensation is performance and/or stock-based:

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COMPONENTS OF 2015 COMPENSATION PROGRAM

Our executive compensation program is composed of the following seven elements, which we believe are important components of a well-designed, balanced and competitive compensation program:

- Base Salary;
- Annual Cash Incentive Awards (referred to as Non-Equity Incentive Plan Compensation in the Summary Compensation Table on pages 51 and 52);
- Long-Term Equity Incentives;
- Retirement Benefits;
- Non-Qualified Deferred Compensation Plans;
- Change-in-Control Agreements; and
- Stock Ownership Guidelines.

The following chart provides a brief summary of the principal elements of our executive compensation program for 2015. We describe these elements, as well as retirement, severance and other benefits, in more detail in this CD&A.

COMPONENTS OF COMPENSATION PAID TO NAMED EXECUTIVE OFFICERS IN 2015

Compensation Element	Form	Compensation Objective	Relation to Objective
Salary	Fixed annual cash paid bi-weekly	Compensate executives for their level of responsibility and sustained individual performance based on market data.	Merit salary increases are based on subjective performance evaluations.
Annual Incentive Awards	Variable cash paid on an annual basis based on achievement of pre-established goals	Motivate executives to focus on achievement of our annual business objectives.	The amount of the annual incentive award, if any, is entirely dependent on

			achievement of pre-established Company and personal goals.
Long-Term Compensation	Restricted Share Units	Align executive interests with shareholder interests; retain key executives.	Provide equity that will have same value as shares owned by shareholders; subject to stock ownership guidelines.
	Performance Share Units	Align executive interests with shareholder interests; create a strong financial incentive for achieving or exceeding long-term performance goals.	The named executive officers receive equity only if the pre-established performance goal is achieved.

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We utilize these elements to achieve the objectives of our compensation program as follows:

Competitively benchmarked base salaries are designed to attract and retain named executive officers consistent with their talent and experience; market-based salary increases are designed to recognize the executives performance of their duties and responsibilities; and promotions and related salary increases are designed to encourage executives to assume increased job duties and responsibilities.

Annual cash incentive awards are intended to reward executives and other employees for: improving the quality of service to our customers; controlling the cost of service to our customers by managing expenses and improving performance; achieving economies of scale by the acquisition of additional water and wastewater systems that can benefit from our resources and expertise; disposing of under- performing systems where appropriate; and enhancing our financial viability and performance by the achievement of annual objectives.

Equity incentives are designed to reward named executive officers for (1) enhancing our financial health, which also benefits our customers, (2) improving our long-term performance through both revenue increases and cost control, and (3) achieving increases in the Company s equity and in absolute shareholder value and shareholder value relative to peer companies, as well as helping to retain executives due to the longer term nature of these incentives.

Retirement benefits are intended to assist named executive officers to provide income for their retirement.

Our non-qualified deferred compensation plan is designed to allow eligible executives to manage their financial and tax planning and defer current income until a later date, including following retirement or other separation from employment without an additional contribution from the Company.

Change-in-control agreements with selected named executive officers are designed to promote stability and dedication to shareholder value in the event of a fundamental transaction affecting the ownership of the Company and to enable the named executive officers to evaluate such a transaction impartially.

Stock ownership guidelines are designed to focus named executive officers on the long-term performance of the Company and align the interests of our executives with our shareholders by encouraging named executive officers to maintain a significant ownership interest in the Company.

LINK BETWEEN OPERATING PERFORMANCE AND EXECUTIVE COMPENSATION

Our stock performance in 2015 reflected our success and contributed significantly to our total shareholder return for the year. The chart below summarizes our stock performance over the past five years compared to the S&P 500 Index and the S&P MidCap 400 Utilities Index.

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The graph below matches the cumulative 5-Year total return of holders of the Company s common stock with the cumulative total returns of the S&P 500 index and a customized peer group of eighteen companies that includes the Company and the following companies: Alliant Energy Corp., Atmos Energy Corp., Black Hills Corp., Cleco Corp., Great Plains Energy Inc., Hawaiian Electric Industries Inc., Idacorp Inc., MDU Resources Group Inc., National Fuel Gas Company, OGE Energy Corp., One Gas Inc., PNM Resources Inc., Questar Corp., UGI Corp., Vectren Corp., Westar Energy Inc. and WGL Holdings Inc. The graph assumes that the value of the investment in our common stock, in each index, and in the peer group (including reinvestment of dividends) was $100 on December 31, 2010 and tracks it through December 31, 2015.

Years as of December 31	2010	2011	2012	2013	2014	2015
Aqua America, Inc.	100.00	100.86	119.62	142.06	164.93	188.84
S&P 500 Index	100.00	102.11	118.45	156.82	178.29	180.75
S&P MidCap 400 Utilities Index	100.00	114.25	119.07	150.31	178.36	169.98

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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We have been steadfast in delivering sustainable dividend growth. We increased our dividend 7.9 percent in 2015 and as a result, our annualized dividend rate is $0.712 per share. Our dividend policy is premised on continuing to grow our dividend in a prudent manner. We anticipate this growth will allow our dividend to become a more meaningful element of our overall shareholder return proposition. The chart below summarizes our dividend growth over recent years:

Benchmarking Competitive Compensation and the Role of the Compensation Committee s Consultant

The Compensation Committee has retained Pay Governance, a nationally-recognized compensation consulting firm, as the Compensation Committee s consultant to assist it in designing and assessing the competitiveness of our executive compensation program. Annually, the Compensation Committee has the consultant develop a market rate for base salary, total cash compensation and total direct compensation for each of the named executive officer positions, including the allocation between cash compensation and equity incentives. Each market rate represents the median compensation level that would be paid to a hypothetical, seasoned performer in a position having similar responsibilities and scope, in an organization of similar size and type as the Company.

In developing the market rates for the named executive officers, the Compensation Committee s consultant, Pay Governance, used compensation data from all 62 investor-owned utilities in the utility industry database used by the consultant and approved by the Compensation Committee to determine the market rates for similarly situated executives of utility companies. The Compensation Committee believes that utilizing the data from only utility companies and adjusting the Company s revenues as described below, to better align the Company s data with the data in the utility industry compensation database, provides an appropriate comparison for determining the market rates for the Company s named executive officers given that we are primarily a utility company. Also, due to the relatively limited number of investor-owned water utility companies of the Company s size, the Compensation Committee believes that using the broader utility market data provides reasonable and reliable data for determining competitive compensation levels. All 62 companies in the utility industry compensation database used by the consultant are listed in Appendix A to this Proxy Statement. The Company has no involvement in the selection of the companies that are included in the database used by the consultant. Each company in Appendix A was used in the development of the market rates, as described in this paragraph.

Management, the Compensation Committee and Pay Governance are mindful that compensation levels for executives of companies are often correlated with a company s size as defined by revenues. In other words, executives in companies with higher revenues are generally paid more than executives with comparable positions in companies with lower revenues. The Compensation Committee and Pay Governance have concluded that the Company s revenues under-represent the complexity and scope of the Company s business given the Company s low cost of goods sold relative to energy-based utilities. The cost of goods sold as a percentage of revenues is significant for energy-based utilities due to their fuel, gas and other power costs. These commodity costs are subsequently recovered through the revenues of the energy-based utilities as they are ultimately passed through to the customer. The Company, like other water utilities, does not have comparable commodity costs. The purpose of the adjusted revenue analysis is to create a consistent comparison to the compensation data in the utility compensation database used by Pay Governance by estimating the revenue that the Company would earn if its cost of goods sold was in similar proportion to that of the energy-based utilities that constitute the majority of the companies in the database. In order to determine a factor by which to adjust the Company s annual revenues, the Compensation Committee recommended that the consultant analyze the income statements of a sample of delivery-focused (i.e., non-power generating) utilities, chosen by the consultant with no input from the Compensation Committee or management, to develop a typical cost of goods sold factor attributable to commodity costs.

Pay Governance s analysis for 2015 determined that the commodity portion of the cost of goods sold averaged 50% of revenues for these companies and calculated what the Company s adjusted revenues would be using this factor. Since there are certain complexities associated with procuring these commodities at the energy- based utilities, the consultant recommended, and the Compensation Committee agreed, that it would be appropriate to discount the market rates generated by the adjusted revenue methodology. Thus, it was agreed that the Company would use an average of the market data produced using the Company s adjusted revenue scope with market data generated using the Company s actual revenue scope in determining the market rates for the Company s named executive officers.

Because the companies listed in Appendix A vary widely in terms of revenues, Pay Governance used regression analysis to size-adjust the benchmark data for each named executive officer s revenue responsibility using the Company s actual and adjusted revenues, where possible, and then averaging the results to determine market rates for base salary, total cash compensation and total direct compensation for each named executive officer. Tabular data was used where regression data was unavailable due to insufficient correlation between officer positions in the Company and the companies in the database and/or limited sample size to ensure the accuracy of the regression analysis. Regression analysis is an objective calculation that identifies a relationship between one variable (in this case, compensation) and another variable that is correlated to it (in this case, total company revenues). Therefore, in developing the market rates for base salary, total cash compensation, and total direct compensation, Pay Governance used regression analysis to determine what the companies in Appendix A would pay at the median for positions comparable to those of the Company s named executive officers. The Compensation Committee considers target total direct compensation levels that are within a range of 15% of the market median rates developed by the consultant for each position to be competitive. Variances within this range can be a result of performance, experience and other factors. At the beginning of 2016, the average of the target total cash compensation for the Company s six named executive officers was 3% below the competitive benchmark, and the average of the target total direct compensation for the Company s six named executive officers was 3% above the competitive benchmark. Payouts of prior cash incentives and changes in the value of equity incentives granted in previous years are not taken into account in determining the amounts of current awards because annual incentives are intended to reward annual performance and the Compensation Committee makes grants of equity incentives based on their grant date value and the applicable competitive benchmarks for each named executive officer s position.