

CODE OF ETHICAL BUSINESS CONDUCT

For

AQUA AMERICA AND SUBSIDIARIES

A. Coverage.

1. The Code of Ethical Business Conduct governs the business-related conduct of all employees, officers and directors of the Company and its subsidiaries.

B. General.

1. The reputation and integrity of Aqua America, Inc. is a valuable asset that is vital to the Company's success. Each employee, officer and director of the Company and its subsidiaries is responsible for conducting the Company's business in an ethical manner, in compliance with all applicable laws, statutes, ordinances, rules and regulations. This Code has been adopted to help employees, officers and directors meet these standards. Specifically, the purpose of this Code is: to encourage among our employees, officers and directors, a culture of honesty, accountability and mutual respect; to provide guidance to help employees, officers and directors recognize and deal with ethical issues; and to provide mechanisms for employees, officers and directors to report unethical conduct.

2. While this Code is designed to provide helpful guidelines, it is not intended to address every specific situation. Simply put, this Code is designed to promote honest and ethical conduct and compliance with all applicable laws.

3. Our Board of Directors is ultimately responsible for the implementation of the Code of Ethical Business Conduct. The Board has designated the Company's Executive Vice President and General Counsel to be the compliance officer (the "Compliance Officer") for the implementation and administration of the Code. Employees should feel free to direct questions concerning this Code to the Compliance Officer.

4. It is the policy of the Company: (a) to comply with all applicable governmental laws, rules and regulations; (b) to expect that all of its employees, officers and directors at all times observe honest and ethical conduct in the performance of the Company's business, including the avoidance of conflicts of interest; (c) to expect all of its employees, officers and directors to treat others with dignity, including other employees, stockholders, customers and vendors; and (d) to encourage and support internal disclosure of any violation of this policy for appropriate action.

C. Relationship with Other Parties.

1. General. Each employee, officer and director should deal fairly and in good faith with the Company's other directors, employees, customers, suppliers, regulators, business partners and others.

2. Standard for purchases. Purchases by the Company shall be based on the quality and value of the product and/or service, including the prior experience and dependability of the vendor.

3. Emphasize the Company's interest. Employees, officers and directors must represent the company's interest while developing and enhancing any mutually productive relationships with customers and suppliers.

4. Confidentiality. Employees, officers and directors have the responsibility to honor the confidentiality or restrictions on use of any information given to them in confidence by any party.

5. Conflicts of interest. Employees, officers and directors shall refrain from any direct or indirect relationships with suppliers, customers or competitors which could, in any way, interfere with the independent exercise of the person's judgment or give the appearance of impropriety or of interfering with the proper performance of his or her job. Generally speaking, a conflict of interest occurs when a person's, or a person's immediate family's, personal interest interferes with, or has the potential to interfere with, the interests or business of the Company.

6. Conflict of interest statements. Officers, managers and other employees involved in purchasing decisions will be required annually to sign a statement confirming their compliance with the Company's Conflict of Interest Policy.

7. Entertainment, Gifts, etc. Employees, officers and directors and/or members of their immediate families shall not give or accept

- (i) money or loans (except from bona fide lending institutions at generally available interest rates), or
- (ii) discounts, services, unusual hospitality, unusual entertainment or gifts of other than nominal value,

to or from current or prospective suppliers, contractors, vendors, or competitors of the Company. The purpose of normal occasional business related entertainment, such as meals, or sporting, theatrical or other public events, is to create goodwill and foster sound working relationships and not to gain an unfair advantage. Normal business entertainment is not a violation of this Code, provided that the activity conforms to generally accepted business practices and is not reasonably likely to influence the participant's business judgment. Any questions with respect to the appropriateness of any gift or entertainment should be submitted to the Compliance Officer.

8. Other parties' policies. It is the Company's policy not to violate the rules regarding gifts or entertainment of any client, supplier, distributor or regulator.

9. Employment relationships. Employees, officers and directors shall disclose to the Company any employment relationships between themselves and/or members of their immediate family and any suppliers, contractors, vendors, regulators or competitors of the Company.

10. Relationship with other Employees. The Company is committed to providing equal employment opportunity in its employment programs and decisions. The Company is also committed to maintaining a work environment that respects the dignity and worth of each

individual. Every employee is expected to support and abide by the Company's policies against employment discrimination and workplace harassment.

D. Relationship with Company.

1. Use of Company property. Company property, including facilities, materials, supplies, information, intellectual property, software, and other assets owned or leased by the Company, or that are otherwise in the Company's possession, should not be used for personal purposes, except with proper authorization from an officer of the Company.

2. Business opportunities. Business opportunities (which may be of interest to the Company), made available to an employee, officer or director as a result of his or her relationship with the Company, shall be fully disclosed to and declined by the Compliance Officer on behalf of the Company before the employee, officer or director acts on the opportunity for personal benefit.

3. Confidential information. Employees, officers and directors should maintain the confidentiality of information that they acquire by virtue of their association with the Company, including information concerning the Company's potential acquisitions, customers, vendors, competitors and other employees, except where disclosure is approved by an officer of the Company or otherwise legally mandated. Of special sensitivity is the Company's financial information, which should under all circumstances be considered confidential except where its disclosure is approved by the Company, or after two full business days following its disclosure in a press release or a report filed with the Securities and Exchange Commission. In addition, employees must safeguard proprietary information, which includes information that is not generally known to the public and has commercial value in the Company's business.

4. Audit process. No employee, officer or director should directly or indirectly take any action to fraudulently influence the conduct of the Company's audit processes.

5. Inventions, Books and Publications. Employees, officers and directors must receive written permission from the Compliance Officer before developing, for their personal benefit or the benefit of others, any products, software or intellectual property that may be related to the Company's current or potential business.

6. Loans. The Company will not make loans or extend credit guarantees to or for the personal benefit of employees, officers or directors except as permitted by law and the listing standards of the New York Stock Exchange.

7. Outside Activities/Employment. Outside activities must not significantly encroach on the time and attention employees, officers and directors are required to devote to their duties and responsibilities for the Company and should not adversely affect the quality or quantity of their work.

8. Public Disclosure. As a publicly traded corporation, the Company must ensure that its filings and submissions with the Securities and Exchange Commission and public communications generally provide full, fair, timely, accurate and understandable disclosure. Employees and officers engaged in the preparation of these filings, submissions and communications ("Public Disclosure Personnel") must endeavor to ensure that the Company's filings, submissions, and communications meet these objectives. Depending on their duties and responsibilities, other employees, officers and directors may be called upon to provide information to assure that the Company's reports are complete, fair and understandable. The Company expects all of its personnel to take this responsibility very seriously. If requested by Public Disclosure Personnel to provide information for use in such filings, submissions or

communications, employees, officers and directors will provide accurate, understandable and complete information on a timely basis.

E. Books and records.

1. General. It is against the Company's policy to intentionally falsify or unlawfully destroy records in any way.

2. Accuracy. Company records must be maintained accurately and with an auditable record of all financial transactions in conformity with generally accepted accounting principles. No employee, officer or director should make an entry on the books or records of the Company, which would obscure the true nature of the transaction.

3. Destruction. No employee, officer or director should unlawfully destroy any record or otherwise impair the availability of any record with the intent to impede or influence an investigation of any matter by the company or any governmental authority.

F. Political activities.

1. General. The Company encourages employees, officers and directors to participate in civic, charitable and political activities. The Company encourages employees, officers and directors to make contributions to candidates as they see fit. The Company also maintains a federal and state Political Action Committee to provide employees, officers and directors with a means to contribute to candidates.

G. Compliance with Laws.

1. General. A variety of laws apply to the Company and its operations. Each Company employee, officer and director is expected to comply with all such laws, including environmental and securities laws, as well as rules and regulations adopted under such laws.

2. Criminal violations. The Company must and will report all suspected criminal violations to the appropriate authorities for possible prosecution, and will investigate, address and report, as appropriate, non-criminal violations.

3. Inside information. The Company requires all employees, officers and directors to comply with all state and federal laws and regulations that prohibit trading in the Company's securities while in possession of material, non-public, so-called "inside" information. It is also unlawful to disclose material, non-public, inside information to third parties who then use it to trade in the Company's securities. Information is considered non-public information until it has been disclosed broadly to the general public, and is considered material if it is important enough to influence a reasonable investor to buy, sell or hold the Company's securities. Examples are information related to acquisitions and mergers, stock splits, dividend declarations, earnings or earnings projections, major management changes, expansion plans and other important corporate developments.

H. Waivers.

1. General. No waiver of any provisions of this Code may be granted to any director or executive officer of the Company except by the Board of Directors and any such waiver must be promptly disclosed in accordance with all applicable laws and regulations. Waivers for other

employees may only be granted by an officer of the Company in consultation with the Compliance Officer.

2. Requests for waivers. Requests for a waiver of a provision of this Code of Ethical Business Conduct must be submitted in writing to an officer of the Company and the Compliance Officer for appropriate review. For conduct involving a director or executive officer, only the Board of Directors has the authority to waive a provision of this Code. Related Person Transactions, as defined under rules promulgated by the Securities and Exchange Commission, will be reviewed and approved or ratified pursuant to the Company's Related Person Transactions Policy. In the event of an approved waiver involving the conduct of a director or executive officer, appropriate and prompt disclosure must be made to the Company's shareholders as required by the Securities and Exchange Commission or the New York Stock Exchange.

I. Violations.

1. General. Employees, officers and directors are encouraged and expected to report any illegal or unethical behavior of which they become aware.

2. Reporting procedures. Employees, officers and directors may report possible legal or ethical violations orally or in writing in any of the following ways: (i) to the Compliance Officer; (ii) to any member of management; or (iii) to any member of the Audit Committee or Board of Directors. In addition, the Company maintains a toll-free, hotline and web-site for employees and others to report possible violations of the Company's Code for Ethical Business Conduct on a confidential and anonymous basis. Employees may call the hotline at 1-800-461-9330 or access the web-site (MySafeWorkplace.com) at any time.

3. False reporting. It is unacceptable to submit a complaint knowing it is false.

4. Investigation. Reports of violations will be investigated under the supervision of the Compliance Officer, the Audit Committee or the Board of Directors, as appropriate. Company employees are expected to cooperate in the investigation of reported violations.

5. No retaliation. Retaliation in any form against an individual who reports an alleged violation of this Code of Ethical Business Conduct, even if the report is mistaken, may itself be a violation of law and is a serious violation of this Code of Ethical Business Conduct. Any alleged act of retaliation must be reported immediately to the Compliance Officer or the Board of Directors. If determined to have in fact occurred, any act of retaliation will result in appropriate disciplinary action, which may include termination of employment.

J. Questions.

1. General. If you have any questions, or if a situation arises about which you are concerned relative to the legal or ethical consequences, you should contact the Compliance Officer or any member of management or the Board of Directors.

2. Dialog encouraged. The Company strongly encourages dialog among employees and their supervisors to make everyone aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations.

3. Management responsibilities. All Company officers and other managerial employees will be responsible for the enforcement of, and compliance with, this Code of Ethical Business Conduct, including necessary distribution to assure employee knowledge and compliance. Officers and other managerial employees are expected to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest. Managerial employees

may be disciplined if they condone violations of this Code, do not report violations, do not take reasonable measures to detect violations, or do not demonstrate the appropriate leadership to ensure compliance.

K. Definitions.

1. Immediate family. The terms “immediate family” means your spouse, parents, children, siblings, mother or father-in-law, son or daughter-in-law, and brother or sister-in-law.