Section 1: 10-K (10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 or 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

Or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File number 1-6659

AQUA AMERICA, INC.
(Exact name of registrant as specified in its charter)

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

(610) 527-8000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $.50 per share	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☑ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐ Yes ☑ No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
☑ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "small reporting company," and "emerging growth company" in Rule 12(b)-2 of the Exchange Act.:

Large accelerated filer ☑ Accelerated filer ☐

Non-accelerated filer ☐ Small reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2018: $6,243,784,324

The number of shares outstanding of the registrant's common stock as of February 12, 2019: 178,145,692

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of the definitive Proxy Statement, relating to the 2019 annual meeting of shareholders of registrant, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K, have been incorporated by reference into Part III of this Form 10-K

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Part I

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report on Form 10-K (the "Annual Report") are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are made based upon, among other things, our current assumptions, expectations, plans, and beliefs concerning future events and their potential effect on us. These forward-looking statements involve risks, uncertainties and other factors, many of which are outside our control that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. In some cases you can identify forward-looking statements where statements are preceded by, followed by or include the words "believes," "expects," "anticipates," "plans," "future," "potential," "probably," "predictions," "intends," "will," "continue," "in the event" or the negative of such terms or similar expressions. Forward-looking statements in this Annual Report include, but are not limited to, statements regarding:

- recovery of capital expenditures and expenses in rates;
- projected capital expenditures and related funding requirements;
- our capability to pursue timely rate increase requests;
- the availability and cost of capital financing;
- developments, trends and consolidation in the water and wastewater utility and infrastructure industries;
- dividend payment projections;
- opportunities for future acquisitions, both within and outside the water and wastewater industry, the success of pending acquisitions and the impact of future acquisitions;
- expectations regarding the proposed Peoples Gas Acquisition, including statements regarding regulatory approvals for the transaction, potential financing related to the transaction, closing of the transaction or the impact of the transaction on the Company;
- the capacity of our water supplies, water facilities and wastewater facilities;
- the impact of federal and/or state tax policies, including changes in tax laws and policies as a result of the Tax Cuts and Jobs Act of 2017, and the regulatory treatment of the effects of those policies;
- the impact of geographic diversity on our exposure to unusual weather;
- the impact of conservation awareness of customers and more efficient plumbing fixtures and appliances on water usage per customer;
- our authority to carry on our business without unduly burdensome restrictions;
- the continuation of investments in strategic ventures;
- our ability to obtain fair market value for condemned assets;
- the impact of fines and penalties;
- the impact of changes in and compliance with governmental laws, regulations and policies, including those dealing with taxation, the environment, health and water quality, and public utility regulation;
- the impact of decisions of governmental and regulatory bodies, including decisions to raise or lower rates and decisions regarding potential acquisitions;
- the development of new services and technologies by us or our competitors;
- the availability of qualified personnel;
- the condition of our assets;
- the impact of legal proceedings;

- general economic conditions;
- acquisition-related costs and synergies;
- the sale of water and wastewater divisions; and
- the amount of income tax deductions for qualifying utility asset improvements and the Internal Revenue Service's ultimate acceptance of the deduction methodology.

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Because forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including but not limited to:

- our ability to integrate and otherwise realize all of the anticipated benefits of businesses, technologies or services which we may acquire;
- our ability to manage the expansion of our business, including our ability to manage our expanded operations following the closing of the Peoples Gas Acquisition;
- changes in general economic, business, credit and financial market conditions;
- changes in governmental laws, regulations and policies, including those dealing with taxation, the environment, health and water quality, and public utility regulation;
- our ability to treat and supply water or collect and treat wastewater;
- the profitability of future acquisitions;
- changes to the rules or our assumptions underlying our determination of what qualifies for an income tax deduction for qualifying utility asset improvements;
- conditions to the completion of the Peoples Gas Acquisition may not be satisfied or waived on a timely basis, or at all;
- the decisions of governmental and regulatory bodies, including decisions on rate increase requests and decisions regarding potential acquisitions;
- our ability to file rate cases on a timely basis to minimize regulatory lag;
- abnormal weather conditions, including those that result in water use restrictions;
- changes in, or unanticipated, capital requirements;
- changes in our credit rating or the market price of our common stock;
- changes in valuation of strategic ventures;
- the extent to which we are able to develop and market new and improved services;
- the effect of the loss of major customers;
- our ability to retain the services of key personnel and to hire qualified personnel as we expand;
- the diversion of our management's time and resources caused by the pendency of the Peoples Gas Acquisition;
- labor disputes;
- increasing difficulties in obtaining insurance and increased cost of insurance;
- cost overruns relating to improvements to, or the expansion of, our operations;
- increases in the costs of goods and services;
- civil disturbance or terroristic threats or acts;
- the continuous and reliable operation of our information technology systems, including the impact of cyber security attacks or other cyber-related events;
- changes in accounting pronouncements;
- litigation and claims; and
- changes in environmental conditions, including the effects of climate change.

Given these risks and uncertainties, you should not place undue reliance on any forward-looking statements. You should read this Annual Report completely and with the understanding that our actual future results, performance and achievements may be materially different from what we expect. These forward-looking statements represent assumptions, expectations, plans, and beliefs only as of the date of this Annual Report. Except for our ongoing obligations to disclose certain information under the federal securities laws, we are not obligated, and assume no obligation, to update these forward-looking statements, even though our situation may change in the future. For further information or other factors which could

affect our financial results and such forward-looking statements, see *Risk Factors*. We qualify all of our forward-looking statements by these cautionary statements.

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PART I

Item 1. *Business*

The Company

Aqua America, Inc. (referred to as "Aqua America", the "Company", "we", "us", or "our"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to an estimated three million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia. Our largest operating subsidiary is Aqua Pennsylvania, Inc., which accounted for approximately 53% of our operating revenues and approximately 71% of our Regulated segment's income for 2018. As of December 31, 2018, Aqua Pennsylvania provided water or wastewater services to approximately one-half of the total number of people we serve. Aqua Pennsylvania's service territory is located in the suburban areas in counties north and west of the City of Philadelphia and in 27 other counties in Pennsylvania. Our other regulated utility subsidiaries provide similar services in seven other states. In addition, the Company's market-based activities are conducted through Aqua Infrastructure, LLC and Aqua Resources Inc. Aqua Infrastructure provides non-utility raw water supply services for firms in the natural gas drilling industry. Aqua Resources provides water service through operating and maintenance contracts with a municipal authority and another party close to our utility companies' service territory; and offers, through a third-party, water and sewer line protection solutions and repair services to households. In 2017, we completed the sale of business units that were reported within Aqua Resources, one which installed and tested devices that prevent the contamination of potable water and another that constructed, maintained, and repaired water and wastewater systems. During 2016, we completed the sale of business units within Aqua Resources, which provided liquid waste hauling and disposal services and inspection, and cleaning and repair of storm and sanitary wastewater lines.

Aqua America, which prior to its name change in 2004 was known as Philadelphia Suburban Corporation, was formed in 1968 as a holding company for its primary subsidiary, Aqua Pennsylvania, formerly known as Philadelphia Suburban Water Company. In the early 1990s, we embarked on a growth through acquisition strategy focused on water and wastewater operations. Our most significant transactions to date have been the merger with Consumers Water Company in 1999, the acquisition of the regulated water and wastewater operations of AquaSource, Inc. in 2003, the acquisition of Heater Utilities, Inc. in 2004, and the acquisition of American Water Works Company, Inc.'s regulated water and wastewater operations in Ohio in 2012. Since the early 1990s, our business strategy has been primarily directed toward the regulated water and wastewater utility industry, where we have more than quadrupled the number of regulated customers we serve, and have extended our regulated operations from southeastern Pennsylvania to include our current regulated utility operations throughout Pennsylvania and in seven other states. During 2010 through 2013, we sold our utility operations in six states, pursuant to a portfolio rationalization strategy to focus our operations in areas where we have critical mass and economic growth potential. Currently, the Company seeks to acquire businesses in the U.S. regulated sector, which includes water and wastewater utilities and other regulated utilities, and to pursue growth ventures in market-based activities, such as infrastructure opportunities that are supplementary and complementary to our regulated businesses. On October 22, 2018, we entered into a purchase agreement to acquire, from LDC Funding LLC, the parent company of PNG Companies, a natural gas distribution company consisting of Peoples Natural Gas Company LLC, Peoples Gas Company LLC, Peoples Gas West Virginia, Inc., Peoples Gas Kentucky, Inc., and Delta Natural Gas Company Inc. expanding the Company's regulated utility business to include natural gas distribution. This acquisition is referred to as the "Peoples Gas Acquisition," and collectively these businesses are referred to as "Peoples." Peoples serves approximately 740,000 gas utility customers in western Pennsylvania, West Virginia, and Kentucky. This acquisition is subject to regulatory approvals and

is expected to close in mid-2019.

The descriptions of our business and operations, financial results, and operational data included in this Annual Report are historical and do not include Peoples or otherwise give effect to our pending acquisition of Peoples.

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The following table reports our operating revenues, by principal state, for the Regulated segment and Other and eliminations for the year ended December 31, 2018:

	Operating Revenues (000's)	Operating Revenues (%)
Pennsylvania	$ 443,260	52.9%
Ohio	105,215	12.6%
Texas	71,581	8.5%
Illinois	71,352	8.5%
North Carolina	54,344	6.5%
Other states (1)	88,886	10.6%
Regulated segment total	834,638	99.6%
Other and eliminations	3,453	0.4%
Consolidated	$ 838,091	100.0%

(1) Includes our operating subsidiaries in the following states: New Jersey, Indiana, and Virginia.

The Company has identified ten operating segments and has one reportable segment named the Regulated segment. The reportable segment is comprised of eight operating segments for our water and wastewater regulated utility companies which are organized by the states where we provide these services. These operating segments are aggregated into one reportable segment since each of the Company's operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution or wastewater collection methods, and the nature of the regulatory environment. Further, Aqua Resources and Aqua Infrastructure are not quantitatively significant to be reportable and are included as a component of "Other," in addition to corporate costs that have not been allocated to the Regulated segment, because they would not be recoverable as a cost of utility service, and intersegment eliminations. Information concerning revenues, net income, identifiable assets and related financial information for the Regulated segment and Other and eliminations for 2018, 2017, and 2016 is set forth in *Management's Discussion and Analysis of Financial Condition and Results of Operations* and in Note 17 – *Segment Information* in the *Notes to Consolidated Financial Statements* which is contained in Item 8 of this Annual Report.

The following table summarizes our operating revenues, by utility customer class, for the Regulated segment and Other and eliminations for the year ended December 31, 2018:

	Operating Revenues (000's)	Operating Revenues (%)
Residential water	$ 482,946	57.6%
Commercial water	133,753	16.0%
Fire protection	32,236	3.8%
Industrial water	28,848	3.5%
Other water	53,658	6.4%
Total water	731,441	87.3%
Wastewater	94,170	11.2%

Other utility	9,027	1.1%
Regulated segment total	834,638	99.6%
Other and eliminations	3,453	0.4%
Consolidated	$ 838,091	100.0%

Our utility customer base is diversified among residential water, commercial water, fire protection, industrial water, other water, wastewater customers, and other utility customers (consisting of operating contracts that are closely associated with

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the utility operations). Residential water and wastewater customers make up the largest component of our utility customer base, with these customers representing approximately 67%, 70%, and 70% of our water and wastewater revenues for 2018, 2017, and 2016, respectively. Substantially all of our water customers are metered, which allows us to measure and bill for our customers' water consumption. Water consumption per customer is affected by local weather conditions during the year, especially during late spring, summer, and early fall. In general, during these seasons, an extended period of dry weather increases consumption, while above average rainfall decreases consumption. Also, an increase in the average temperature generally causes an increase in water consumption. On occasion, abnormally dry weather in our service areas can result in governmental authorities declaring drought warnings and imposing water use restrictions in the affected areas, which could reduce water consumption. See "Business – *Water Utility Supplies, and Facilities and Wastewater Utility Facilities*" for a discussion of water use restrictions that may impact water consumption during abnormally dry weather. The geographic diversity of our utility customer base reduces the effect of our exposure to extreme or unusual weather conditions in any one area of our service territory. Water usage is also affected by changing consumption patterns by our customers, resulting from such causes as increased water conservation and the installation of water saving devices and appliances that can result in decreased water usage. It is estimated that in the event we experience a 0.50% decrease in residential water consumption it would result in a decrease in annual residential water revenue of approximately $2,400,000 and would likely be partially offset by a reduction in incremental water production expenses such as chemicals and power.

Our growth in revenues over the past five years is primarily a result of increases in water and wastewater rates and customer growth. See *Economic Regulation* for a discussion of water and wastewater rates. The increase in our utility customer base has been due to customers added through acquisitions, partnerships with developers, and organic growth (excluding dispositions) as shown below:

Year	Utility Customer Growth Rate
2018	2.3%
2017	1.1%
2016	1.6%
2015	1.9%
2014	1.3%

In 2018, our customer count increased by 22,741 customers, primarily due to utility systems that we acquired and organic growth. Overall, for the five-year period of 2014 through 2018, our utility customer base, adjusted to exclude customers associated with utility system dispositions, increased at an annual compound rate of 1.6%. During the five-year period ended December 31, 2018, our utility customer base including customers associated with utility system acquisitions and dispositions increased from 941,008 at January 1, 2014 to 1,005,590 at December 31, 2018. This five-year period includes the impact of the condemnation of our Fort Wayne, IN system in 2014, which resulted in the loss of approximately 13,000 connections.

Acquisitions and Other Growth Ventures

We believe that acquisitions will continue to be an important source of customer growth for us. We intend to continue to pursue acquisitions of government-owned and regulated water and wastewater systems that provide services in areas near our existing service territories or in new service areas. We engage in

continuing activities with respect to potential acquisitions, including calling on prospective sellers, performing analyses of and due diligence on acquisition candidates, making preliminary acquisition proposals, and negotiating the terms of potential acquisitions. Further, we are also seeking other potential business opportunities, including but not limited to, partnering with public and regulated utilities to invest in infrastructure projects, growing our market-based activities by acquiring businesses that provide water and wastewater or other utility-related services, and investing in infrastructure projects.

According to the U.S. Environmental Protection Agency ("EPA"), based on the 2015 U.S. Census American Housing Survey, approximately 89% of the U.S. population obtains its water from community water systems, and 11% of the U.S. population obtains its water from private wells. With approximately 50,000 community water systems in the U.S. (81%

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of which serve less than 3,300 customers), the water industry is the most fragmented of the major utility industries (telephone, natural gas, electric, water and wastewater). The majority of these community water systems are government-owned, and the balance of the systems are regulated utilities. The nation's water systems range in size from large government-owned systems, such as the New York City water system, which serves approximately 8.6 million people, to small systems, where a few customers share a common well. In the states where we operate regulated utilities, we believe there are approximately 14,000 community water systems of widely-varying size, with the majority of the population being served by government-owned water systems.

Although not as fragmented as the water industry, the wastewater industry in the U.S. also presents opportunities for consolidation. According to the EPA's most recent survey of wastewater treatment facilities (which includes both government-owned facilities and regulated utility systems) in 2012, there were approximately 15,000 such facilities in the nation serving approximately 76% of the U.S. population. The remaining population represents individual homeowners with their own treatment facilities; for example, community on-lot disposal systems and septic tank systems. A majority of wastewater facilities are government-owned rather than regulated utilities. The EPA's survey also indicated that , in 2012, there were approximately 4,000 wastewater facilities in operation in the states where we operate regulated utilities.

Because of the fragmented nature of the water and wastewater utility industries, we believe there are many potential water and wastewater system acquisition candidates throughout the U.S. We believe the factors driving consolidation of these systems are:

- the benefits of economies of scale;
- the increasing cost and complexity of environmental regulations;
- the need for substantial capital investment;
- the need for technological and managerial expertise;
- the desire to improve water quality and service;
- limited access to cost-effective financing;
- the monetizing of public assets to support, in some cases, the declining financial condition of municipalities; and
- the use of system sale proceeds by a municipality to accomplish other public purposes.

We are actively exploring opportunities to expand our utility operations through acquisitions or other growth ventures. During the five-year period ended December 31, 2018, we expanded our utility operations by completing 64 acquisitions or other growth ventures. Additionally, in October 2018, the Company entered into an agreement to acquire Peoples, which will expand the Company's regulated utility business to include natural gas distribution. This acquisition is subject to regulatory approvals and is expected to close in mid-2019.

Water Utility Supplies and Facilities and Wastewater Utility Facilities

Our water utility operations obtain their water supplies from surface water sources, underground aquifers, and water purchased from other water suppliers. Our water supplies are primarily self-supplied and processed at twenty-one surface water treatment plants located in four states, and numerous well stations located in the states in which we conduct business. Approximately 5.8% of our water supplies are provided through water purchased from other water suppliers. It is our policy to obtain and maintain the permits

necessary to obtain the water we distribute.

We believe that the capacities of our sources of supply, and our water treatment, pumping and distribution facilities, are generally sufficient to meet the present requirements of our customers under normal conditions. We plan system improvements and additions to capacity in response to normal replacement and renewal needs, changing regulatory standards, changing patterns of consumption, and increased demand from customer growth. The various state utility commissions have generally recognized the operating and capital costs associated with these improvements in setting water and wastewater rates.

On occasion, drought warnings and water use restrictions are issued by governmental authorities for portions of our service territories in response to extended periods of dry weather conditions. The timing and duration of the warnings and restrictions can have an impact on our water revenues and net income. In general, water consumption in the summer months is more affected by drought warnings and restrictions because discretionary and recreational use of water is at its

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highest during the summer months. At other times of the year, warnings and restrictions generally have less of an effect on water consumption. Currently, portions of our northern and central Texas service areas have conservation-based water restrictions. Drought warnings and watches result in the public being asked to voluntarily reduce water consumption.

We believe that our wastewater treatment facilities are generally adequate to meet the present requirements of our customers under normal conditions. Additionally, we own several wastewater collection systems that convey the wastewater to municipally-owned facilities for treatment. Changes in regulatory requirements can be reflected in revised permit limits and conditions when permits are renewed, typically on a five-year cycle, or when treatment capacity is expanded. Capital improvements are planned and budgeted to meet normal replacement and renewal needs, anticipated changes in regulations, needs for increased capacity related to projected growth, and to reduce inflow and infiltration to collection systems. The various state utility commissions have generally recognized the operating and capital costs associated with these improvements in setting wastewater rates for current and new customers. It is our policy to obtain and maintain the permits necessary for the treatment of the wastewater that we return to the environment.

Economic Regulation

Most of our water and wastewater utility operations are subject to regulation by their respective state utility commissions, which have broad administrative power and authority to regulate billing rates, determine franchise areas and conditions of service, approve acquisitions and authorize the issuance of securities. The utility commissions also establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems, and loans and other financings. The policies of the utility commissions often differ from state to state, and may change over time. A small number of our operations are subject to rate regulation by county or city governments. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances we are granted by the respective utility commissions or authorities in the various states in which we operate.

Rate Case Management Capability – We maintain a rate case management capability, the objective of which is to provide that the tariffs of our utility operations reflect, to the extent practicable, the timely recovery of increases in costs of operations, capital expenditures, interest expense, taxes, energy, materials, and compliance with environmental regulations. We file rate increase requests to recover and earn a fair return on the infrastructure investments that we make in improving or replacing our facilities and to recover expense increases. In the states in which we operate, we are primarily subject to economic regulation by the following state utility commissions:

State	Utility Commission
Pennsylvania	Pennsylvania Public Utility Commission
Ohio	Public Utilities Commission of Ohio
Texas	Public Utility Commission of Texas
Illinois	Illinois Commerce Commission
North Carolina	North Carolina Utilities Commission
New Jersey	New Jersey Board of Public Utilities
Indiana	Indiana Utility Regulatory Commission
Virginia	Virginia State Corporation Commission

Our water and wastewater operations are comprised of 44 rate divisions, each of which requires a separate rate filing for the evaluation of the cost of service, including the recovery of investments, in connection with the establishment of rates for that rate division. When feasible and beneficial to our utility customers, we will seek approval from the applicable state regulatory commission to consolidate rate divisions to achieve a more even distribution of costs over a larger customer base. All of the states in which we operate permit us to file a revenue requirement for some form of consolidated rates for all, or some of the rate divisions in that state.

In Virginia, we may seek authorization to bill our utility customers in accordance with a rate filing that is pending before the respective regulatory commission. As of December 31, 2018, we have no billings under interim rate arrangements for rate case filings in progress. Furthermore, some utility commissions authorize the use of expense deferrals and amortization in order to provide for an impact on our operating income by an amount that approximates the requested amount in a rate request. In these states, the additional revenue billed and collected prior to the final regulatory

commission ruling is subject to refund to customers based on the outcome of the ruling. The revenue recognized and the expenses deferred by us reflect an estimate as to the final outcome of the ruling. If the request is denied completely or in part, we could be required to refund to customers some or all of the revenue billed to date and write-off some or all of the deferred expenses.

Revenue Surcharges – Seven states in which we operate water utilities, and six states in which we operate wastewater utilities, permit us to add an infrastructure rehabilitation surcharge to their respective bills to offset the additional depreciation and capital costs associated with capital expenditures related to replacing and rehabilitating infrastructure systems. Without this surcharge, a water and wastewater utility absorbs all of the depreciation and capital costs of these projects between base rate increases. The gap between the time that a capital project is completed and the recovery of its costs in rates is known as regulatory lag. This surcharge is intended to substantially reduce regulatory lag, which often acted as a disincentive to water and wastewater utilities to rehabilitate their infrastructure. In addition, our subsidiaries in some states use a surcharge or credit on their bills to reflect changes in costs, such as changes in state tax rates, other taxes and purchased water costs, until such time as the new cost levels are incorporated into base rates.

Currently, New Jersey allows for an infrastructure rehabilitation surcharge for water utilities, while Pennsylvania, Illinois, Ohio, Indiana, and North Carolina allow for the use of an infrastructure rehabilitation surcharge for both water and wastewater utility systems, and Aqua Virginia is piloting an infrastructure rehabilitation surcharge for its water and wastewater utilities to be implemented in 2019, pursuant to the final order issued in Aqua Virginia's 2018 rate case . The infrastructure rehabilitation surcharge typically adjusts periodically based on additional qualified capital expenditures completed or anticipated in a future period, and is capped at a percentage of base rates, generally at 5% to 12.75%, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. This surcharge provided revenues of $31,835,811 in 2018, $10,255,284 in 2017, and $7,379,000 in 2016.

Income Tax Accounting Change – In December 2012, Aqua Pennsylvania adopted an income tax accounting change, implemented on Aqua America's 2012 federal income tax return, which was filed in September 2013. This accounting change allows a tax deduction for qualifying utility asset improvements that were formerly capitalized for tax purposes, and was implemented in response to a June 2012 rate order issued by the Pennsylvania Public Utility Commission. The Pennsylvania rate order requires use of the flow-through method of income tax benefits which results in a reduction in current income tax expense as a result of the recognition of income tax benefits resulting from the accounting change. This tax accounting change and its treatment under the Pennsylvania rate order provided sufficient income tax benefits to permit the suspension of the Pennsylvania infrastructure rehabilitation surcharge from January 1, 2013 to September 30, 2017. Beginning on October 1, 2017, Aqua Pennsylvania initiated a water infrastructure rehabilitation surcharge for the capital invested since the last rate proceeding and filed a base rate case in August 2018. The base rate case is being reviewed by the Pennsylvania Public Utility Commission. In February 2019, the Company filed a settlement for this base rate case. Rates from this settlement for approximately $47,000,000 are expected to go into effect in May 2019. The settlement agreement is subject to approval by the administrative law judge and the Pennsylvania Public Utilities Commission.

Fair Market Value Legislation – In April 2016, Pennsylvania enacted legislation allowing the public utility commission to utilize fair market value to set ratemaking rate base instead of the depreciated original cost of water or wastewater assets for certain qualifying municipal acquisitions. The legislation includes a process for engaging two independent utility valuation experts to perform appraisals that are filed with the public utility commission and then averaged and compared to the purchase price. The ratemaking rate base

is the lower of the average of the appraisals or the purchase price and is subject to regulatory approval. Illinois, Indiana, New Jersey, North Carolina, and Ohio also have legislation that allows the use of fair market value under varying rules and circumstances, with Ohio's legislation becoming effective on April 4, 2019. We believe that this legislation will encourage consolidation in the water and wastewater industry, providing municipalities with an option for exiting the business if they are dealing with challenges associated with their aging, deteriorating water and wastewater assets, do not have the expertise or technical capabilities to continue to comply with ever increasing environmental regulations or simply want to focus on other community priorities.

Revenue Stability Mechanisms – Revenue stability mechanisms separate the volume of water sold from our ability to meet our cost of service and infrastructure costs. These mechanisms allows us to recognize revenue based on a target

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amount established in the last rate case, and then record either a regulatory asset or liability based on the cumulative difference over time, which results in either a refund due to customers or a payment from customers. In Illinois, our operating subsidiary has adopted a revenue stability mechanism in its latest rate case.

Competition

In general, we believe that Aqua America and its subsidiaries have valid authority, free from unduly burdensome restrictions, to enable us to carry on our business as presently conducted in the franchised or contracted areas we now serve. The rights to provide water or wastewater service to customers in a particular franchised service territory are generally non-exclusive, although the applicable utility commissions usually allow only one regulated utility to provide service to customers in a given area. In some instances, another water utility provides service to a separate area within the same political subdivision served by one of our subsidiaries. Therefore, as a regulated utility, there is little or no competition for the daily water and wastewater service we provide to our customers. Water and wastewater utilities may compete for the acquisition of other water and wastewater utilities or for acquiring new customers in new service territories. Competition for these acquisitions generally comes from nearby utilities, either other regulated utilities or municipal-owned utilities, and sometimes from strategic or financial purchasers seeking to enter or expand in the water and wastewater industry. We compete for new service territories and the acquisition of other utilities on the following bases:

- economic value;
- economies of scale;
- our ability to provide quality water and wastewater service;
- our existing infrastructure network;
- our ability to perform infrastructure improvements;
- our ability to comply with environmental, health, and safety regulations;
- our technical, regulatory, and operational expertise;
- our ability to access capital markets; and
- our cost of capital.

The addition of new service territories and the acquisition of other utilities by regulated utilities such as by the Company are generally subject to review and approval by the applicable state utility commissions.

In a very few number of instances, in one of our southern states, where there are municipally-owned water or wastewater systems near our operating divisions, the municipally-owned system may either have water distribution or wastewater collection mains that are located adjacent to our division's mains or may construct new mains that parallel our mains. In these rare circumstances, the municipally-owned system may attempt to voluntarily offer service to customers who are connected to our mains, resulting in our mains becoming surplus or underutilized without compensation.

In the states where our subsidiaries operate, it is possible that portions of our subsidiaries' operations could be acquired by municipal governments by one or more of the following methods:

- eminent domain;
- the right of purchase given or reserved by a municipality or political subdivision when the original franchise was granted; and
- the right of purchase given or reserved under the law of the state in which the subsidiary was incorporated or from which it received its permit.

The price to be paid upon such an acquisition by the municipal government is usually determined in accordance with applicable law under eminent domain. In other instances, the price may be negotiated, fixed by appraisers selected by the parties or computed in accordance with a formula prescribed in the law of the state or in the particular franchise or charter. We believe that our operating subsidiaries would be entitled to fair market value for any assets that are condemned, and we believe the fair market value would be in excess of the book value for such assets.

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Despite maintaining a program to monitor condemnation interests and activities that may affect us over time, one of our primary strategies continues to be to acquire additional water and wastewater systems, to maintain our existing systems where there is a business or a strategic benefit, and to actively oppose unilateral efforts by municipal governments to acquire any of our operations, particularly for less than the fair market value of our operations or where the municipal government seeks to acquire more than it is entitled to under the applicable law or agreement. On occasion, we may voluntarily agree to sell systems or portions of systems in order to help focus our efforts in areas where we have more critical mass and economies of scale or for other strategic reasons.

Environmental, Health and Safety Regulation

Provision of water and wastewater services is subject to regulation under the federal Safe Drinking Water Act, the Clean Water Act, and related state laws, and under federal and state regulations issued under these laws. These laws and regulations establish criteria and standards for drinking water and for wastewater discharges. In addition, we are subject to federal and state laws and other regulations relating to solid waste disposal, dam safety and other aspects of our operations. Capital expenditures and operating costs required as a result of water quality standards and environmental requirements have been traditionally recognized by state utility commissions as appropriate for inclusion in establishing rates.

From time to time, Aqua America has acquired, and may acquire, systems that have environmental compliance issues. Environmental compliance issues also arise in the course of normal operations or as a result of regulatory changes. Aqua America attempts to align capital budgeting and expenditures to address these issues in due course. We believe that the capital expenditures required to address outstanding environmental compliance issues have been budgeted in our capital program and represent approximately $74,200,000, or approximately 3.4% of our expected total capital expenditures over the next five years. We are parties to agreements with regulatory agencies in Pennsylvania, Texas, and North Carolina under which we have committed to make improvements for environmental compliance. These agreements are intended to provide the regulators with assurance that problems covered by these agreements will be addressed, and the agreements generally provide protection from fines, penalties and other actions while corrective measures are being implemented. We are actively working with state environmental officials in Pennsylvania, Texas, and North Carolina to implement or amend regulatory agreements as necessary.

Safe Drinking Water Act - The Safe Drinking Water Act establishes criteria and procedures for the EPA to develop national quality standards for drinking water. Regulations issued pursuant to the Safe Drinking Water Act set standards regarding the amount of microbial and chemical contaminants and radionuclides in drinking water. Current requirements under the Safe Drinking Water Act are not expected to have a material impact on our business, financial condition, or results of operations as we have made and are making investments to meet existing water quality standards. We may, in the future, be required to change our method of treating drinking water at some sources of supply and make additional capital investments if additional regulations become effective.

Clean Water Act - The Clean Water Act regulates discharges from drinking water and wastewater treatment facilities into lakes, rivers, streams, and groundwater. It is our policy to obtain and maintain all required permits and approvals for the discharges from our water and wastewater facilities, and to comply with all conditions of those permits and other regulatory requirements. A program is in place to monitor facilities for compliance with permitting, monitoring and reporting for wastewater discharges. From time to time, discharge violations may occur which may result in fines. These fines and penalties, if any, are not expected to have a material impact on our business, financial condition, or results of operations. We are

also parties to agreements with regulatory agencies in several states where we operate while improvements are being made to address wastewater discharge issues.

Solid Waste Disposal - The handling and disposal of waste generated from water and wastewater treatment facilities is governed by federal and state laws and regulations. A program is in place to monitor our facilities for compliance with regulatory requirements, and we are not aware of any significant environmental remediation costs necessary from our handling and disposal of waste material from our water and wastewater operations.

Dam Safety - Our subsidiaries own thirty dams, of which fifteen are classified as high hazard dams that are subject to the requirements of the federal and state regulations related to dam safety, which undergo regular inspections and an annual engineering inspection. After a thorough review and inspection of our dams by professional outside engineering firms, we

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believe that all fifteen dams are structurally sound and well-maintained, except as described below. These inspections provide recommendations for ongoing rehabilitation which we include in our capital improvement program.

We performed studies of our dams that identified three dams in Pennsylvania and two dams in Ohio requiring capital improvements. These capital improvements result from the adoption by state regulatory agencies of revised formulas for calculating the magnitude of a possible maximum flood event. The most significant capital improvement remaining to be performed in our dam improvement program is on one dam in Pennsylvania at a total estimated cost of $13,300,000. Design for this dam commenced in 2013 and construction is expected to be completed in 2021.

A 2017 dam inspection in Illinois found cracks on two control gate mechanisms, and as a result, temporary gates were installed to eliminate reliance on the cracked control gates. An inspection of the other control gates was conducted in the fourth quarter of 2017, and it was determined that the dam's control gates should be replaced. All gates were reinforced in 2018 and all 10 gates will be replaced in 2019 and 2020 at a total estimated cost of $15,100,000. We believe these capital investments will be recoverable in ratemaking.

One of our Ohio dams needing capital improvements is no longer used for water supply and may be sold to a third party. Should that sale not be consummated, we will need to breech the dam or rehabilitate portions of the dam at a cost of up to approximately $2,600,000.

Lead and Copper Rule – The events in Flint, Michigan, which commenced in 2014, and other communities have brought attention to the issue of lead in drinking water from home plumbing. Lead in drinking water can come from lead that leaches from service lines, home plumbing solder, and fixtures or faucets. Since the Lead and Copper Rule in 1992, we have been working to prevent lead leaching from home plumbing sources by reducing water corrosivity and adding chemicals that can prevent leaching of lead in pipes and homes. We also focus on identifying and removing lead service lines and encouraging customers to replace the customer-owned portion of the service line if it is lead as they are identified during our main replacement program or during other maintenance activities. We are currently developing a lead service line inventory. We support the recommendations of The Lead Service Line Replacement Collaborative, a collaborative of leading water industry organizations that has recommended full replacement of lead service lines as a "best practice" to reduce lead in drinking water, but we only have control over the company-owned portion of each service line. In cases where we are replacing a company-owned lead service line, our standard approach is to replace the company-owned portion and advise and encourage the customer to replace the customer-owned portion of the service line, all the way to the customer's home. In Pennsylvania, we may have the legal and regulatory authority to replace the customer-owned portion of the service line and will attempt to obtain customer permission to do so. We also advise customers of the potential health impacts of lead in drinking water, and conduct lead testing at homes following replacement of a lead service line. We do not plan on replacing customer-owned lead service lines at locations where our portion of the service line does not contain lead, but if we become aware of such situations we will notify the customer. It is anticipated that the EPA will propose updated regulations for the Lead and Copper Rule in 2019.

Partnership for Safe Water Program – Aqua America is a proud participant in the American Water Works Association's (AWWA) Partnership for Safe Water Program. This voluntary program is a commitment to excellence within the drinking water community above and beyond EPA's stringent treatment goals. All of our active surface water treatment plants (within Pennsylvania, Ohio, Illinois, and Virginia) maintain good

standing in the program which includes many awards of achievement. The honors include the "Director's Award" (achieved at 5 systems) which recognizes plants that have: 1) completed a comprehensive self-assessment report, 2) created an action plan for continuous improvement, and 3) provided several evaluations of performance demonstrating operational excellence. Several of our systems have met these criteria annually and have received 5, 10, 15, and 20 year subscriber awards. Furthermore, our Roaring Creek Pennsylvania treatment plant has received the Phase IV Excellence Award, the highest honor achieved in the Partnership Program.

Safety Standards - Our facilities and operations may be subject to inspections by representatives of the Occupational Safety and Health Administration from time to time. We maintain safety policies and procedures to comply with the Occupational Safety and Health Administration's rules and regulations, but violations may occur from time to time, which may result in fines and penalties, which are not expected to have a material impact on our business, financial condition, or results of operations. We endeavor to correct such violations promptly when they come to our attention.

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Security

We maintain security measures at our facilities, and collaborate with federal, state and local authorities and industry trade associations regarding information on possible threats and security measures for water and wastewater utility operations. The costs incurred are expected to be recoverable in water and wastewater rates and are not expected to have a material impact on our business, financial condition, or results of operations.

We also maintain cyber security protection measures with respect to our information technology, including our customer data, and, in some cases, the monitoring and operation of our treatment, storage and pumping facilities.

Employee Relations

As of December 31, 2018, we employed a total of 1,570 full-time employees. Our subsidiaries are parties to 15 labor agreements with labor unions covering 516 employees. The labor agreements expire at various times between April 2019 and December 2023, except for one labor agreement, which expired in October 2018, representing 4 employees. The employees under this expired agreement continue to work under the agreement, and negotiations with the labor union representing these employees are ongoing and we expect to reach a new agreement.

Available Information

We file annual, quarterly, current reports, proxy statements, and other information with the Securities and Exchange Commission ("SEC"). You may obtain our SEC filings from the SEC's web site at www.sec.gov.

Our internet web site address is www.aquaamerica.com. We make available free of charge through our web site's *Investor Relations* page all of our filings with the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other information. These reports and information are available as soon as reasonably practicable after such material is electronically filed with the SEC.

In addition, you may request a copy of the foregoing filings, at no cost by writing or telephoning us at the following address or telephone number:

Investor Relations Department
Aqua America, Inc.
762 W. Lancaster Avenue
Bryn Mawr, PA 19010-3489
Telephone: 610-527-8000

Our Board of Directors has various committees including an audit committee, an executive compensation committee, a corporate governance committee, and a risk mitigation and investment policy committee. Each of these committees has a formal charter. We also have Corporate Governance Guidelines and a Code of Ethical Business Conduct. Copies of these charters, guidelines, and codes can be obtained free of charge from our *Investor Relations* page on our web site, www.aquaamerica.com. In the event we change or waive any portion of the Code of Ethical Business Conduct that applies to any of our directors,

executive officers, or senior financial officers, we will post that information on our web site.

The references to our web site and the SEC's web site are intended to be inactive textual references only, and the contents of those web sites are not incorporated by reference herein and should not be considered part of this or any other report that we file with or furnish to the SEC.

Item 1A. *Risk Factors*

In addition to the other information included in this Annual Report, the following factors should be considered in evaluating our business and future prospects. Any of the following risks, either alone or taken together, could materially harm our business, financial condition, and results of operations. If one or more of these or other risks or uncertainties

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materialize, or if our underlying assumptions prove to be incorrect, our business, financial condition, and results of operations could be materially harmed.

Our water supply, including water provided to our customers, is subject to various contaminants which may result in disruption in our services, additional costs, fines, laws and/or regulations, and litigation which could harm our business, reputation, financial condition, and results of operations.

Our water supplies, including water provided to our customers, are subject to possible contaminants, including those from:

- naturally occurring compounds or man-made substances;
- chemicals and other hazardous materials;
- lead and other materials;
- pharmaceuticals and personal care products; and
- possible deliberate or terrorist attacks.

Depending on the nature of the water contamination, we may have to interrupt the use of that water supply until we are able to substitute, where feasible, the flow of water from an uncontaminated water source, including if practicable, the purchase of water from other suppliers, or continue the water supply under restrictions on use for drinking or broader restrictions against all use except for basic sanitation and essential fire protection. We may incur significant costs, including, but not limited to, costs for water quality testing and monitoring, treatment of the contaminated source through modification of our current treatment facilities or development of new treatment methods, or the purchase of alternative water supplies. In addition, the costs we could incur to decontaminate a water source or our water distribution system and dispose of waste could also be significant. The costs resulting from the contamination may not be recoverable in rates we charge our customer, or may not be recoverable in a timely manner. If we are unable to adequately treat the contaminated water supply or substitute a water supply from an uncontaminated water source in a timely or cost-effective manner, there may be an adverse effect on our business, financial condition, and results of operations. We could also be subject to:

- claims for consequences arising out of human exposure to contamination and/or hazardous substances in our water supplies, including toxic torts;
- claims for other environmental damage;
- claims for customers' business interruption as a result of an interruption in water service;
- claims for breach of contract;
- criminal enforcement actions;
- regulatory fines; or
- other claims.

We incur substantial costs on an ongoing basis to comply with all laws and regulations. New or stricter laws and/or regulations could increase our costs. Although we may seek to recover these costs through customer rates, there is no guarantee that the various state regulators would approve the increase in costs.

The events in Flint, Michigan, which commenced in 2014, and other communities have brought attention to the issue of lead in drinking water from home plumbing. We have been working to prevent lead leaching from home plumbing sources by reducing water corrosivity and adding chemicals that can prevent leaching of lead in pipes and homes. We also focus on identifying and removing lead service lines and encouraging

customers to replace the customer-owned portion of the service line if it is lead as they are identified during our main replacement program or during other maintenance activities.

We are devoting our attention to various emerging contaminants, including the Per- and Polyfluoroalkyl Substances (PFAS) family of chemicals and other chemicals and substances that do not have any regulatory standard in drinking water. We rely on governmental agencies to establish the standard of protection from these unregulated contaminants and we meet or exceed these standards, when established. There is no guarantee that the various state regulators would approve the costs associated with the treatment in our system of the emerging contaminants without the establishment of treatment standards by the appropriate governmental entities.

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We may incur costs to defend our position and/or incur reputational damage even if we are not liable for consequences arising out of human exposure to contamination and/or hazardous substances in our water supplies or other environmental damage. Our insurance policies may not be sufficient to cover the costs of these claims, and losses incurred may make it difficult for us to secure insurance in the future at acceptable rates. Such claims or actions could harm our business, financial condition, and results of operations.

The rates we charge our customers are subject to regulation. If we are unable to obtain government approval of our requests for rate increases or if approved rate increases are untimely or inadequate to recover and earn a return on our capital investments, to recover expenses or taxes, or to take into account changes in water usage, our profitability may suffer.

The rates we charge our customers are subject to approval by utility commissions in the states in which we operate. We file rate increase requests, from time to time, to recover our investments in utility plant and expenses. Our ability to maintain and meet our financial objectives is dependent upon the recovery of, and return on, our capital investments and expenses through the rates we charge our customers. Once a rate increase petition is filed with a utility commission, the ensuing administrative and hearing process may be lengthy and costly, and our costs may not always be fully recoverable. The timing of our rate increase requests are therefore partially dependent upon the estimated cost of the administrative process in relation to the investments and expenses that we hope to recover through the rate increase. In addition, the amount or frequency of rate increases may be decreased or lengthened as a result of many factors including changes in regulatory oversight in the states in which we operate utilities and income tax laws, including regulations regarding tax-basis depreciation as it applies to our capital expenditures or qualifying utility asset improvements. We can provide no assurances that any future rate increase request will be approved by the appropriate utility commission; and, if approved, we cannot guarantee that these rate increases will be granted in a timely or sufficient manner.

In Virginia, we may seek authorization to bill our utility customers in accordance with a rate filing that is pending before the respective regulatory commission. Furthermore, some utility commissions authorize the use of expense deferrals and amortization in order to provide for an impact on our operating income by an amount that approximates the requested amount in a rate request. The additional revenue billed and collected prior to the final ruling is subject to refund to customers based on the outcome of the ruling. The revenue recognized and the expenses deferred by us reflect an estimate as to the final outcome of the ruling. If the request is denied completely or in part, we could be required to refund to customers some or all of the revenue billed to date, and write-off some or all of the deferred expenses.

Any failure of our water and wastewater treatment plants, network of water and wastewater pipes, or water reservoirs could result in damages that may harm our business, financial condition, and results of operations.

Our operating subsidiaries treat water and wastewater, distribute water and collect wastewater through an extensive network of pipes, and store water in reservoirs. A failure of a major treatment plant, pipe, or reservoir could result in claims for injuries or property damage. The failure of a major treatment plant, pipe, or reservoir may also result in the need to shut down some facilities or parts of our network in order to conduct repairs. Such failures and shutdowns may limit our ability to supply water in sufficient quality and quantities to our customers or collect and treat wastewater in accordance with standards prescribed by governmental regulators, including state utility commissions, and may harm our business, financial condition, and results of operations. Any business interruption or other losses might not be covered by insurance policies or be recoverable in rates, and such losses may make it difficult for us to secure

insurance in the future at acceptable rates.

Our business requires significant capital expenditures that are partially dependent on our ability to secure appropriate funding. Disruptions in the capital markets may limit our access to capital and may impact the Peoples Gas Acquisition. If we are unable to obtain sufficient capital, or if the cost of borrowing increases, it may harm our business, financial condition, results of operations, and our ability to pay dividends, and could make it more difficult and more expensive for us to complete the Peoples Gas Acquisition.

Our business is capital intensive. In addition to the capital required to fund customer growth through our acquisition strategy, on an annual basis, and particularly the acquisition of Peoples, we spend significant sums for additions to or replacement of property, plant and equipment. We obtain funds for our capital expenditures from operations, contributions and advances by developers and others, debt issuances, and equity issuances. We have paid dividends consecutively for 74 years and our Board of Directors recognizes the value that our common shareholders place on both

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our historical payment record and on our future dividend payments. Our ability to continue our growth through acquisition, including the Peoples Gas Acquisition, and to maintain and meet our financial objectives is dependent upon the availability of adequate capital, and we may not be able to access the capital markets on favorable terms or at all. Further, while we have obtained a commitment (the "Bridge Commitment") from certain banks to provide senior unsecured bridge loans (the "Bridge Loan"), which backstops the Peoples Gas Acquisition purchase price and the refinancing of certain debt of the Company, we expect to obtain long-term financing in the capital markets to fund these transactions in lieu of utilizing the funds available under the Bridge Commitment. If such long-term financing is not available on terms acceptable to us, we would draw upon the Bridge Commitment to complete these transactions and would incur significantly higher borrowing costs than the contemplated long-term financing, which would increase the overall cost of the Peoples Gas Acquisition and could harm our business, financial condition, results of operations, and cash flows. The Bridge Loan would mature 364 days after the closing of the Peoples Gas Acquisition, and any debt incurred to refinance the Bridge Loan may be on unfavorable terms. Additionally, if in the future, our credit facilities are not renewed or our short-term borrowings are called for repayment, we would need to seek alternative financing sources; however, there can be no assurance that these alternative financing sources would be available on terms acceptable to us. In the event we are unable to obtain sufficient capital, we may need to take steps to conserve cash by reducing our capital expenditures or dividend payments and our ability to pursue acquisitions may be limited. The reduction in capital expenditures may result in reduced potential earnings growth, affect our ability to meet environmental laws and regulations, and limit our ability to improve or expand our utility systems to the level we believe appropriate. There is no guarantee that we will be able to obtain sufficient capital in the future on reasonable terms and conditions for expansion, construction and maintenance. In addition, delays in completing major capital projects could delay the recovery of the capital expenditures associated with such projects through rates.

If the cost of borrowing increases, we might not be able to recover increases in our cost of capital through rates. The inability to recover higher borrowing costs through rates, or the regulatory lag associated with the time that it takes to begin recovery, may harm our business, financial condition, results of operations and cash flows.

In an effort to manage our exposure to interest rate risk associated with our planned issuance of long-term debt to fund a portion of the Peoples Gas Acquisition, we have entered into, and in the future, may enter into, financial derivative instruments such as interest rate swap agreements. However, these efforts may not be effective to fully mitigate interest rate risk, and may expose us to other risks and uncertainties, including quarterly mark-to-market valuation risk associated with these instruments, that could negatively and materially affect our business, financial condition, results of operations and cash flows.

Our inability to comply with debt covenants under our loan and debt agreements could result in prepayment obligations.

We are obligated to comply with debt covenants under some of our loan and debt agreements. In addition, we intend to incur additional indebtedness in connection with the Peoples Gas Acquisition, including by assuming certain outstanding indebtedness of Peoples, and will be obligated to comply with the debt covenants under the agreements governing such indebtedness. Failure to comply with covenants under our loan and debt agreements could result in an event of default, which if not cured or waived, could result in us being required to repay or finance these borrowings before their due date, limit future borrowings, cause us to default on other obligations, and increase borrowing costs. If we are forced to repay or refinance (on less favorable terms) these borrowings, our business, financial condition, and results of operations could be

harmed by reduced access to capital and increased costs and rates.

One of the important elements of our growth strategy is the acquisition of regulated utility systems. Any acquisition we decide to undertake may involve risks. Further, competition for acquisition opportunities from other regulated utilities, governmental entities, and strategic and financial buyers may hinder our ability to grow our business.

One important element of our growth strategy is the acquisition and integration of regulated utility systems in order to broaden our service areas. In addition, the acquisition of Peoples is an opportunity to broaden our services to include natural gas distribution and additional states of operation. We will not be able to acquire other businesses if we cannot identify suitable acquisition opportunities or reach mutually agreeable terms with acquisition candidates. It is our intent, when practical, to integrate any businesses we acquire with our existing operations. Investing in and integrating acquisitions could require us to incur significant costs and cause diversion of our management's time and resources, and

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we may be unable to successfully integrate our business with acquired businesses or to realize anticipate benefits of acquisitions. Acquisitions by us could also result in:

- dilutive issuances of our equity securities;
- incurrence of debt, contingent liabilities, and environmental liabilities;
- unanticipated capital expenditures;
- failure to maintain effective internal control over financial reporting;
- recording goodwill and other intangible assets for which we may never realize their full value and may result in an asset impairment that may negatively affect our results of operations;
- fluctuations in quarterly results;
- other acquisition related expenses; and
- exposure to unknown or unexpected risks and liabilities.

For example, we expect to finance the Peoples Gas Acquisition purchase price and to refinance certain of our debt with a mix of common equity, equity-linked securities, and debt financing. Any such common equity or equity-linked securities financing could reduce the market price of our shares of common stock, dilute ownership interests of holders of our common stock, or otherwise adversely affect holders of our common stock. Any such debt financing would cause us to have outstanding indebtedness greater than our current outstanding indebtedness, which could require us to use a larger portion of our cash flows for debt service (reducing funds available for other purposes), reduce our ability to make investments and acquisitions, limit our ability to obtain additional financing on acceptable terms, and increase our vulnerability to adverse economic and industry conditions. In addition, we have incurred and expect to incur additional substantial expenses related to the completion of the Peoples Gas Acquisition and the integration of our business with Peoples.

Some or all of these items could harm our business, financial condition, results of operations, and cash flows, and our ability to finance our business and to comply with regulatory requirements. Additionally, the Peoples acquisition is subject to obtaining regulatory approvals, which approvals may be denied or subject to burdensome conditions. The businesses we acquire, including Peoples, may not achieve sales and profitability that would justify our investment, and any difficulties we encounter in the integration process, including in the integration of processes necessary for internal control and financial reporting, could interfere with our operations, reduce our operating margins and harm our internal controls.

Some states in which we operate allow the respective public utility commissions to use fair market value to set ratemaking rate base instead of the traditional depreciated original cost of water or wastewater assets for certain qualifying municipal acquisitions. Depending on the state, there are varying rules and circumstances in which fair value is determined. A number of states' regulations allow ratemaking rate base to equal the lower of the average of the appraisals or the purchase price, subject to regulatory approval. There may be situations where we may pay more than the ultimate fair value of the utility assets as set by the regulatory commission, despite the fair value legislation suggesting its full recovery. In these situations, goodwill may be recognized to the extent there is an excess purchase price over the fair value of net tangible and identifiable intangible assets acquired through acquisition. Our financial condition and results of operations can be harmed by an inability to earn a return on, and recover our purchase price as a component of rate base.

We compete with governmental entities, other regulated utilities, and strategic and financial buyers, for acquisition opportunities. As consolidation becomes more prevalent in the utility industry and competition for acquisitions increases, the prices for suitable acquisition candidates may increase to unacceptable levels and limit our ability to grow through acquisitions. In addition, our competitors may impede our growth by purchasing utilities near our existing operations, thereby preventing us from acquiring them. Governmental

entities or environmental / social activist groups have challenged, and may in the future challenge our efforts to acquire new service territories, particularly from municipalities or municipal authorities. Higher purchase prices and resulting rates may limit our ability to invest additional capital for system maintenance and upgrades in an optimal manner. Our growth could be hindered if we are not able to compete effectively for new companies and/or service territories with other companies or strategic and financial buyers that have lower costs of operations or capital, or that submit more attractive bids. Any of these risks may harm our business, financial condition, and results of operations.

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The Peoples Gas Acquisition is subject to conditions, some or all of which may not be satisfied or waived on a timely basis, if at all. Failure to close the Peoples Gas Acquisition could negatively and materially affect our business, financial condition and results of operations.

The closing of the Peoples Gas Acquisition is subject to a number of conditions, including, among others, the receipt of regulatory approvals (including by the public utility commissions in Pennsylvania, Kentucky, and West Virginia). These regulatory approvals may be denied or may be subject to our agreeing to certain actions, undertakings, terms, or other measures. These conditions make the closing and timing of the closing of the Peoples Gas Acquisition uncertain. In addition, either we or Seller can terminate the acquisition agreement at any time prior to the closing of the Peoples Gas Acquisition in the event the Acquisition is not completed by October 22, 2019 (subject to extension to April 22, 2020 to obtain necessary regulatory approvals) and in other customary circumstances. In the event that the Peoples Gas Acquisition is terminated due to certain breaches by the Company, a fee of $120,000,000 would be payable to the Seller as liquidated damages. In addition, if the Peoples Gas Acquisition is not completed, we could be subject to litigation related to any failure to complete the Peoples Gas Acquisition or related to any enforcement proceeding commenced against us to perform our obligations under the acquisition agreement. Failure to close the Peoples Gas Acquisition may cause the market price of our common stock to decline, and could otherwise negatively and materially affect our business, financial condition and results of operations.

Similarly, delays in the closing of the Peoples Gas Acquisition could, among other things, result in additional transaction costs, loss of revenue or other negative effects associated with uncertainty about the closing of the Peoples Gas Acquisition, and could cause us not to realize a portion of the benefits that we expect to achieve if the Peoples Gas Acquisition is successfully completed within its expected timeframe. We cannot assure you that the conditions to the closing of the Peoples Gas Acquisition will be satisfied or waived or that the Peoples Gas Acquisition will be completed.

Integrating the Peoples Gas Acquisition may disrupt or have a negative impact on our business.

We anticipate that the Peoples Gas Acquisition will close in mid-2019, following receipt of all regulatory approvals. We could have difficulty integrating the acquired assets, personnel and operations with our own. The Peoples Gas Acquisition is complex and we will devote significant time and resources to integrating the businesses. Risks that could impact us negatively include:

- the difficulty of integrating the acquired companies, and their concepts and operations;
- the potential disruption of the ongoing businesses and distraction of our management and the management of the acquired companies;
- changes in our business focus and/or management;
- risks related to the natural gas distribution business;
- difficulties in maintaining uniform standards, controls, procedures and policies;
- the potential impairment of relationships with employees and partners as a result of any integration of new management personnel;
- the potential inability to manage an increased number of locations and employees;
- our ability to successfully manage Peoples; or
- the effect of any government regulations which relate to the business acquired.

If we are not successful in addressing these risks effectively, our business could be severely impaired.

Our operations are geographically concentrated in Pennsylvania, which make us susceptible to risks affecting Pennsylvania.

Although we operate water and wastewater facilities in a number of states, our operations are concentrated in Pennsylvania. As a result, our financial results are largely subject to political, water supply, labor, utility cost and regulatory risks, economic conditions, natural disasters and other risks affecting Pennsylvania.

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We are increasingly dependent on the continuous and reliable operation of our information technology systems, and a disruption of these systems, resulting from cyber security attacks or other events, could harm our business.

We rely on our information technology systems in connection with the operation of our business, especially with respect to customer service and billing, accounting and, in some cases, the monitoring and operation of our treatment, storage and pumping facilities. In addition, we rely on our systems to track our utility assets and to manage maintenance and construction projects, materials and supplies, and our human resource functions. The addition of the Peoples information technology systems, and the integration of such systems with ours adds additional complexity. A loss of these systems, or major problems with the operation of these systems, could harm our business, financial condition, and results of operations. Our information technology systems may be vulnerable to damage or interruption from the following types of cyber security attacks or other events:

- power loss, computer systems failures, and internet, telecommunications or data network failures;
- operator negligence or improper operation by, or supervision of, employees;
- physical and electronic loss of data;
- computer viruses, cyber security attacks, intentional security breaches, hacking, denial of service actions, misappropriation of data and similar events;
- difficulties in the implementation of upgrades or modification to our information technology systems; and
- hurricanes, fires, floods, earthquakes and other natural disasters.

Although we do not believe that our systems are at a materially greater risk of cyber security attacks than other similar organizations, our information technology systems may be vulnerable to damage or interruption from the types of cyber security attacks or other events listed above or other similar actions, and such incidents may go undetected for a period of time. Such cyber security attacks or other events may result in:

- the loss or compromise of customer, financial, employee, or operational data;
- disruption of billing, collections or normal field service activities;
- disruption of electronic monitoring and control of operational systems; and
- delays in financial reporting and other normal management functions.

Possible impacts associated with a cyber security attack or other events may include: remediation costs related to lost, stolen, or compromised data; repairs to data processing systems; increased cyber security protection costs; adverse effects on our compliance with regulatory and environmental laws and regulation, including standards for drinking water; litigation; and reputational damage. We maintain insurance to help defray costs associated with cyber security attacks or other events, but we cannot provide assurance that such insurance will provide coverage for any particular type of incident or event or that such insurance will be adequate, and losses incurred may make it difficult for us to secure insurance in the future at acceptable rates.

We have a cyber-security controls framework in place. We monitor our control effectiveness in an increasing threat landscape and continuously take action to improve our security posture. We cannot assure you that, despite such measures, a form of system failure or data security breach will not have a material adverse effect on our financial condition and results of operations.

Our facilities could be the target of a possible terrorist or other deliberate attack which could harm our business, financial condition and results of operations.

In addition to the potential contamination of our water supply as described in a separate risk factor herein, we maintain security measures at our facilities and have heightened employee and public safety official awareness of potential threats to our utility systems. We have and will continue to bear increases in costs for security precautions to protect our facilities, operations, and supplies, most of which have been recoverable under state regulatory policies. While the costs of increases in security, including capital expenditures, may be significant, we expect these costs to continue to be recoverable in utility rates. Despite our security measures, we may not be in a position to control the outcome of terrorist events, or other attacks on our utility systems, should they occur. Such an event could harm our business, financial condition, and results of operations.

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Our business is impacted by weather conditions and is subject to seasonal fluctuations, which could harm demand for our water service and our revenues and earnings.

Demand for our water during the warmer months is generally greater than during cooler months due primarily to additional requirements for water in connection with irrigation systems, swimming pools, cooling systems, and other outside water use. Throughout the year, and particularly during typically warmer months, demand will vary with temperature, rainfall levels and rainfall frequency. In the event that temperatures during the typically warmer months are cooler than normal, if there is more rainfall than normal, or rainfall is more frequent than normal, the demand for our water may decrease and harm our business, financial condition, and results of operations. In Illinois, our operating subsidiary has adopted a revenue stability mechanism which allows us to recognize state PUC authorized revenue for a period which is not based upon the volume of water sold during that period, and effectively lessens the impact of weather and consumption variability.

Decreased residential customer water consumption as a result of water conservation efforts may harm demand for our water service and may reduce our revenues and earnings.

There has been a general decline in water usage per residential customer as a result of an increase in conservation awareness, and the impact of an increased use of more efficient plumbing fixtures and appliances. These gradual, long-term changes are normally taken into account by the utility commissions in setting rates, whereas short-term changes in water usage, if significant, may not be fully reflected in the rates we charge. We are dependent upon the revenue generated from rates charged to our residential customers for the volume of water used. If we are unable to obtain future rate increases to offset decreased residential customer water consumption to cover our investments, expenses, and return for which we initially sought the rate increase, our business, financial condition, and results of operations may be harmed.

Drought conditions and government imposed water use restrictions may impact our ability to serve our current and future customers, and may impact our customers' use of our water, which may harm our business, financial condition, and results of operations.

We depend on an adequate water supply to meet the present and future demands of our customers. Drought conditions could interfere with our sources of water supply and could harm our ability to supply water in sufficient quantities to our existing and future customers. An interruption in our water supply could harm our business, financial condition, and results of operations. Moreover, governmental restrictions on water usage during drought conditions may result in a decreased demand for our water, even if our water supplies are sufficient to serve our customers during these drought conditions, which may harm our business, financial condition, and results of operations.

The failure of, or the requirement to repair, upgrade or dismantle any of our dams or reservoirs may harm our business, financial condition, and results of operations.

Several of our water systems include impounding dams and reservoirs of various sizes. Although we believe our dam review program, which includes regular inspections and other engineering studies, will ensure our dams are structurally sound and well-maintained, the failure of a dam could result in significant downstream damage and could result in claims for property damage or for injuries or fatalities. We periodically inspect our dams and purchase liability insurance to cover such risks, but depending on the nature of the downstream damage and cause of the failure, the policy limits of insurance coverage may not

be sufficient, and losses incurred may make it difficult for us to secure insurance in the future at acceptable rates. A dam failure could also result in damage to, or disruption of, our water treatment and pumping facilities that are often located downstream from our dams and reservoirs. Significant damage to these facilities, or a significant decline in the storage of the raw water impoundment, could affect our ability to provide water to our customers until the facilities and a sufficient raw water impoundment can be restored. The estimated costs to maintain our dams are included in our capital budget projections and, although such costs to date have been recoverable in rates, there can be no assurance that rate increases will be granted in a timely or sufficient manner to recover such costs in the future, if at all.

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General economic conditions may affect our financial condition and results of operations.

A general economic downturn may lead to a number of impacts on our business and may affect our financial condition and results of operations. Such impacts may include:

- a reduction in discretionary and recreational water use by our residential water customers, particularly during the summer months when such discretionary usage is normally at its highest;
- a decline in usage by industrial and commercial customers as a result of decreased business activity;
- an increased incidence of customers' inability to pay or delays in paying their utility bills, or an increase in customer bankruptcies, which may lead to higher bad debt expense and reduced cash flow;
- a lower natural customer growth rate due to a decline in new housing starts; and
- a decline in the number of active customers due to housing vacancies.

General economic turmoil may also lead to an investment market downturn, which may result in our pension and other post-retirement plans' asset market values suffering a decline and significant volatility. A decline in our plans' asset market values could increase our required cash contributions to the plans and expense in subsequent years.

Our utility systems may be subject to condemnations or other methods of taking by governmental entities.

In the states where our subsidiaries operate, it is possible that portions of our subsidiaries' operations could be acquired by municipal governments by one or more of the following methods:

- eminent domain;
- the right of purchase given or reserved by a municipality or political subdivision when the original franchise was granted; and
- the right of purchase given or reserved under the law of the state in which the subsidiary was incorporated or from which it received its permit.

The price to be paid upon such an acquisition by the municipal government is usually determined in accordance with applicable law under eminent domain. In other instances, the price may be negotiated, fixed by appraisers selected by the parties or computed in accordance with a formula prescribed in the law of the state or in the particular franchise or charter. We believe that our operating subsidiaries would be entitled to receive fair market value for any assets that are condemned. However, there is no assurance that the fair market value received for assets condemned would be in excess of book value.

In a very few number of instances, in one of our southern states where there are municipally-owned water or wastewater systems near our operating divisions, the municipally-owned system may either have water distribution or wastewater collection mains that are located adjacent to our division's mains or may construct new mains that parallel our mains. In these circumstances, on occasion, the municipally-owned system may attempt to offer service to customers who are connected to our mains, resulting in our mains becoming surplus or underutilized without compensation.

The final determination of our income tax liability may be materially different from our income tax provision.

Significant judgment is required in determining our provision for income taxes. Our calculation of the provision for income taxes is subject to our interpretation of applicable business tax laws in the jurisdictions in which we file. In addition, our income tax returns are subject to periodic examination by the Internal Revenue Service and other taxing authorities. In December 2012, Aqua Pennsylvania changed its tax method of accounting to permit the expensing of qualifying utility asset improvement costs that were previously being capitalized and depreciated for tax purposes. Subsequently, the Company's Ohio and North Carolina regulated subsidiaries similarly changed their tax method of accounting. Our determination of what qualifies as a capital cost versus a tax deduction for utility asset improvements is subject to subsequent adjustment and may impact the income tax benefits that have been recognized.

On December 22, 2017, President Trump signed into law legislation referred to as the "Tax Cuts and Jobs Act" (the "TCJA"). The TCJA makes significant changes to the Internal Revenue Code of 1986, as amended (the "Code"), and the

taxation of business entities, and includes specific provisions related to regulated public utilities. Significant changes that impact the Company in the TCJA include a reduction in the corporate federal income tax rate from 35% to 21%, and a limitation on the utilization of Net Operating Losses ("NOLs") arising after December 31, 2017 to 80% of taxable income with an indefinite carryforward. In addition, specific provisions related to regulated public utilities in the TCJA generally allow for the continued deductibility of interest expense, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017, and the continuation of certain rate normalization requirements for accelerated depreciation benefits. Since the tax effects of changes in tax law must be recognized in the period in which TCJA was enacted, our deferred income tax assets and liabilities were remeasured in the period of enactment. This generally results in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. In certain states there is not yet complete guidance as to how to account for the TCJA. With respect to these states, we will account for the changes in income tax balances by making a reasonable estimate. The estimate may differ from the actual tax amount determined once the state regulators provide specific guidance. To the extent such estimates are adjusted or prove to be incorrect, there could be an impact on the Company's financial statements.

Although we believe our income tax estimates, including any tax reserves for uncertain tax positions or valuation allowances on deferred tax assets are appropriate, there is no assurance that the final determination of our income tax liability will not be materially different; either higher or lower, from what is reflected in our income tax provision. In the event we are assessed additional income taxes, our business, financial condition, and results of operations could be harmed.

Federal and state environmental laws and regulations impose substantial compliance requirements on our operations. Our operating costs could be significantly increased in order to comply with new or stricter regulatory standards imposed by federal and state environmental agencies.

Our water and wastewater services are governed by various federal and state environmental protection and health and safety laws and regulations, including the federal Safe Drinking Water Act, the Clean Water Act, Clean Air Act, Resource Conservation and Recovery Act and similar state laws, and federal and state regulations issued under these laws by the EPA and state environmental regulatory agencies. These laws and regulations establish, among other things, criteria and standards for drinking water and for discharges into the waters of the U.S. as well as dam safety, air emissions, and residuals management. Pursuant to these laws, we are required to obtain various environmental permits from environmental regulatory agencies for our operations. We cannot assure you that we will be at all times in total compliance with these laws, regulations and permits. If we fail to comply with these laws, regulations or permits, we could be fined or otherwise sanctioned by regulators and such noncompliance could result in civil suits. Environmental laws and regulations are complex and change frequently. These laws, and the enforcement thereof, have tended to become more stringent over time. While we have budgeted for future capital and operating expenditures to comply with these laws and our permits, it is possible that new or stricter standards could be imposed that will require additional capital expenditures or raise our operating costs. Although these expenditures and costs may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that govern our business would approve rate increases to enable us to recover such expenditures and costs. In summary, we cannot assure you that our costs of complying with, current and future environmental and health and safety laws will not harm our business, financial condition, and results of operations.

Wastewater operations entail significant risks and may impose significant costs.

Wastewater collection and treatment involve various unique risks. If collection or treatment systems fail or do not operate properly, or if there is a spill, untreated or partially treated wastewater could discharge onto property or into nearby streams and rivers, causing various damages and injuries, including environmental damage. These risks are most acute during periods of substantial rainfall or flooding, which are the main causes of wastewater overflow and system failure. Liabilities resulting from such damages and injuries could harm our business, financial condition, and results of operations.

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Work stoppages and other labor relations matters could harm our operating results.

Approximately 33% of our workforce is unionized under 15 labor contracts with labor unions, which expire over several years. In light of rising costs for healthcare and retirement benefits, contract negotiations in the future may be difficult. We are subject to a risk of work stoppages and other labor actions as we negotiate with the unions to address these issues, which could harm our business, financial condition, and results of operations. We cannot assure you that issues with our labor forces will be resolved favorably to us in the future or that we will not experience work stoppages.

Significant or prolonged disruptions in the supply of important goods or services from third parties could harm our business, financial condition, and results of operations.

We are dependent on a continuing flow of important goods and services from suppliers for our businesses. A disruption or prolonged delays in obtaining important supplies or services, such as maintenance services, purchased water, chemicals, water pipe, valves, hydrants, electricity, or other materials, could harm our utility services and our ability to operate in compliance with all regulatory requirements, which could harm our business, financial condition, and results of operations. In some circumstances, we rely on third parties to provide important services (such as customer bill print and mail activities or utility service operations in some of our divisions) and a disruption in these services could harm our business, financial condition, and results of operations. Some possible reasons for a delay or disruption in the supply of important goods and services include:

- our suppliers may not provide materials that meet our specifications in sufficient quantities;
- our suppliers may provide us with water that does not meet applicable quality standards or is contaminated;
- our suppliers may face production delays due to natural disasters, strikes, lock-outs, or other such actions;
- one or more suppliers could make strategic changes in the lines of products and services they offer; and
- some of our suppliers, such as small companies, may be more likely to experience financial and operational difficulties than larger, well-established companies, because of their limited financial and other resources.

As a result of any of these factors, we may be required to find alternative suppliers for the materials and services on which we rely. Accordingly, we may experience delays in obtaining appropriate materials and services on a timely basis and in sufficient quantities from such alternative suppliers at a reasonable price, which could interrupt services to our customers and harm our business, financial condition, and results of operations.

We depend significantly on the services of the members of our management team, and the departure of any of those persons could cause our operating results to suffer.

Our success depends significantly on the continued individual and collective contributions of our management team. The loss of the services of any member of our management team or the inability to hire and retain experienced management personnel could harm our business, financial condition, and results of operations.

Climate change laws and regulations have been passed and are being proposed that require compliance with greenhouse gas emissions standards, as well as other climate change initiatives, which could impact our business, financial condition or results of operations.

Climate change is receiving ever increasing attention worldwide. Many scientists, legislators, and others attribute global warming to increased levels of greenhouse gases ("GHG"), including carbon dioxide. Climate change laws and regulations enacted and proposed limit GHG emissions from covered entities and require additional monitoring/reporting. We produce a corporate social responsibility report, which provides an overview of our energy usage and GHG emissions. At this time, the existing GHG laws and regulations are not expected to materially harm the Company's operations or capital expenditures. While regulation on climate change could change in light of the current federal administration's agenda, the uncertainty of future climate change regulatory requirements still remains. We cannot predict the potential impact of future laws and regulations on our business, financial condition, or results of operations. Although these future expenditures and costs for regulatory compliance may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that govern our business would approve rate increases to enable us to recover such expenditures and costs. Another potential risk related to climate change would be more frequent and more severe

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weather events, which could increase our costs to repair damaged facilities and restore service to our customers. If we are unable to provide utility services to our customers, our financial results would be impacted by lost revenues and we would have to seek regulatory approval to recover restoration costs.

Some scientific experts are predicting a worsening of weather volatility in the future, possibly created by the climate change greenhouse gases. Changing severe weather patterns could require additional expenditures to reduce the risk associated with any increasing storm, flood and drought occurrences.

The issue of climate change is receiving ever increasing attention worldwide. Many climate change predictions, if true, present several potential challenges to water and wastewater utilities, such as: increased frequency and duration of droughts, increased precipitation and flooding, potential degradation of water quality, and changes in demand for services. We maintain an ongoing facility planning process, and this planning or the enactment of new standards may result in the need for additional capital expenditures or raise our operating costs. Because of the uncertainty of weather volatility related to climate change, we cannot predict its potential impact on our business, financial condition, or results of operations. Although any potential expenditures and costs may be recovered in the form of higher rates, there can be no assurance that the various state utility commissions that govern our business would approve rate increases to enable us to recover such expenditures and costs. We cannot assure you that our costs of complying with any climate change weather related measures will not harm our business, financial condition, or results of operations.

Federal and state environmental laws, regulatory initiatives relating to hydraulic fracturing, changes in technology or hydraulic fracturing processes, and volatility in natural gas prices, could result in reduced demand for raw water utilized in hydraulic fracturing and harm our joint venture business, financial condition, or results of operations.

We have invested in a joint venture for the construction and operation of a private pipeline system to supply raw water to natural gas drilling operations for hydraulic fracturing. Hydraulic fracturing involves the injection under pressure of water, along with other materials such as sand, into rock formations to stimulate natural gas production. In general, the environmental community has taken an interest in monitoring and understanding the potential environmental impact of hydraulic fracturing. Although hydraulic fracturing is currently regulated, in the event the use of hydraulic fracturing is further limited through regulation, our investment in the raw water pipeline may be harmed in the event that demand for raw water is reduced.

Changes in technology or hydraulic fracturing processes may occur which allows drillers to reuse injected water on a limited basis, or apply treatment processes to allow further reuse of water for drilling. These changes may reduce demand for raw water.

Furthermore, natural gas prices have historically been volatile, and are likely to continue to be volatile. A decrease in demand for natural gas, due to price volatility, could result in reduced demand for raw water utilized in hydraulic fracturing. In the event hydraulic fracturing is limited, due to a reduction in demand for natural gas or other factors affecting the industry, our investment in the raw water pipeline may be harmed should the demand for raw water be reduced.

We employ a portfolio rationalization strategy to focus our operations in areas where we have critical mass and economic growth potential and to divest operations where limited customer growth opportunities exist or where we are unable to achieve favorable operating results or a return on equity that we consider acceptable. Dispositions we decide to undertake may involve risks which could harm our business, operating results, and financial condition.

In the event we determine a division, utility system or business should be sold, we may be unable to reach terms that are agreeable to us or find a suitable buyer. If the business is part of our regulated operations, we may face additional challenges in obtaining regulatory approval for the disposition, and the regulatory approval obtained may include restrictive conditions. We may be required to continue to hold or assume residual liabilities with respect to the business sold. The negotiation of potential dispositions as well as the efforts to divest the acquired business could require us to incur significant costs and cause diversion of our management's time and resources. Any of these risks may harm our business, financial condition, and results of operations.

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Item 1B *Unresolved Staff Comments*

None

Item 2. *Properties*

Our properties consist of water transmission and distribution mains and wastewater collection pipelines, water and wastewater treatment plants, pumping facilities, wells, tanks, meters, pipes, dams, reservoirs, buildings, vehicles, land, easements, rights-of-way, and other facilities and equipment used for the operation of our systems, including the collection, treatment, storage, and distribution of water and the collection and treatment of wastewater. Substantially all of our treatment, storage, and distribution properties are owned by our subsidiaries, and a substantial portion of our property is subject to liens of mortgage or indentures. These liens secure bonds, notes and other evidences of long-term indebtedness of our subsidiaries. For some properties that we acquired through the exercise of the power of eminent domain and other properties we purchased, we hold title for water supply purposes only. We own, operate and maintain over 13,000 miles of transmission and distribution mains, 21 surface water treatment plants, many well treatment stations, and 188 wastewater treatment plants. A small portion of the properties are leased under long-term leases.

The following table indicates our net property, plant and equipment, in thousands of dollars, as of December 31, 2018 in the principal states where we operate:

	Net Property, Plant and Equipment	
Pennsylvania	$ 3,757,525	63.4%
Ohio	492,956	8.3%
Illinois	439,524	7.4%
North Carolina	375,134	6.3%
Texas	332,580	5.6%
Other (1)	532,607	9.0%
Consolidated	$ 5,930,326	100.0%

(1) Consists primarily of our operating subsidiaries in the following states: New Jersey, Indiana, and Virginia.

We believe that our properties are generally maintained in good condition and in accordance with current standards of good water and wastewater industry practice. We believe that our facilities are adequate and suitable for the conduct of our business and to meet customer requirements under normal circumstances.

Our corporate offices are leased from our subsidiary, Aqua Pennsylvania, and are located in Bryn Mawr, Pennsylvania.

Item 3. *Legal Proceedings*

There are various legal proceedings in which we are involved. Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which we or any of our

subsidiaries is a party or to which any of our properties is the subject that we believe are material or are expected to materially harm our business, operating results or financial condition.

Item 4. *Mine Safety Disclosures*

Not applicable.

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PART II

Item 5. *Market for the Registrant's Common Stock, Related Stockholder Matters and Purchases of Equity Securities*

Our common stock is traded on the New York Stock Exchange under the ticker symbol WTR. As of February 12, 2019, there were approximately 23,446 holders of record of our common stock.

The following table shows the cash dividends paid per share for the periods indicated:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2018					
Dividend paid per common share	$ 0.2047	$ 0.2047	$ 0.2190	$ 0.2190	$ 0.8474
Dividend declared per common share	0.2047	0.2047	0.2190	0.2190	0.8474
2017					
Dividend paid per common share	$ 0.1913	$ 0.1913	$ 0.2047	$ 0.2047	$ 0.7920
Dividend declared per common share	0.1913	0.1913	0.2047	0.2047	0.7920

We have paid dividends consecutively for 74 years. On July 20, 2018, our Board of Directors authorized an increase of 7.0% in the September 1, 2018 quarterly dividend over the dividend Aqua America paid in the previous quarter. As a result of this authorization, beginning with the dividend payment in September 2018, the annualized dividend rate increased to $0.876 per share. This is the 28th dividend increase in the past 27 years and the 20th consecutive year that we have increased our dividend in excess of five percent. We presently intend to pay quarterly cash dividends in the future, on March 1, June 1, September 1, and December 1, subject to our earnings and financial condition, restrictions set forth in our debt instruments, regulatory requirements and such other factors as our Board of Directors may deem relevant. In 2018, our dividends paid represented 78.5% of net income.

Information with respect to restrictions set forth in our debt instruments is disclosed in Note 10 – *Long-term Debt and Loans Payable* in the *Notes to Consolidated Financial Statements* which is contained in Item 8 of this Annual Report.

The following table summarizes the Company's purchases of its common stock for the quarter ending December 31, 2018:

	Issuer Purchases of Equity Securities			
Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Programs
October 1-31, 2018	-	$ -	-	-
November 1-30, 2018	1,933	$ 32.57	-	-

December 1-31, 2018	-	$ -	-	-
Total	1,933	$ 32.57	-	-

(1) These amounts consist of 1,933 shares we acquired from our employees associated with the withholding of shares to pay certain withholding taxes upon the vesting of stock-based compensation.

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Item 6. *Selected Financial Data*

Summary of Selected Financial Data (Unaudited)
Aqua America, Inc. and Subsidiaries
(In thousands of dollars, except per share amounts)

Years ended December 31,	2018	2017	2016	2015	2014
PER COMMON SHARE:					
Income from continuing operations:					
Basic	$ 1.08	$ 1.35	$ 1.32	$ 1.14	$ 1.21
Diluted	1.08	1.35	1.32	1.14	1.20
Income from discontinued operations:					
Basic	-	-	-	-	0.11
Diluted	-	-	-	-	0.11
Net income:					
Basic	1.08	1.35	1.32	1.14	1.32
Diluted	1.08	1.35	1.32	1.14	1.31
Cash dividends declared and paid	0.8474	0.7920	0.7386	0.6860	0.6340
Return on Aqua America stockholders' equity	9.6%	12.2%	12.7%	11.7%	14.1%
Book value at year end	$ 11.28	$ 11.02	$ 10.43	$ 9.78	$ 9.37
Market value at year end	34.19	39.23	30.04	29.80	26.70
INCOME STATEMENT HIGHLIGHTS:					
Operating revenues	$ 838,091	$ 809,525	$ 819,875	$ 814,204	$ 779,903
Depreciation and amortization	146,673	136,724	133,008	128,737	126,535
Interest expense, net	98,902	88,341	80,594	76,536	76,397
Income from continuing operations before income taxes (1) (2)	178,319	256,652	255,160	216,752	239,103
Provision for income taxes (benefit)	(13,669)	16,914	20,978	14,962	25,219
Income from continuing operations (1) (2)	191,988	239,738	234,182	201,790	213,884
Income from discontinued operations	-	-	-	-	19,355
Net income (1) (2)	191,988	239,738	234,182	201,790	233,239
BALANCE SHEET HIGHLIGHTS:					
Total assets	$ 6,964,496	$ 6,332,463	$ 6,158,991	$ 5,717,873	$ 5,383,243
Property, plant and equipment, net	5,930,326	5,399,860	5,001,615	4,688,925	4,401,990
Aqua America stockholders' equity	2,009,364	1,957,621	1,850,068	1,725,930	1,655,343
Long-term debt, including current portion, excluding debt issuance costs (3)	2,563,660	2,143,127	1,910,633	1,779,205	1,619,270
Total debt, excluding debt issuance costs (3)	2,579,109	2,146,777	1,917,168	1,795,926	1,637,668
ADDITIONAL INFORMATION:					
Operating cash flows from continuing operations	$ 368,522	$ 381,318	$ 396,163	$ 370,794	$ 364,888
Capital expenditures	495,737	478,089	382,996	364,689	328,605
Net cash expended for acquisitions of utility systems and other	145,693	5,860	9,423	28,989	14,616
Dividends on common stock	150,736	140,660	130,923	121,248	112,106
Number of utility customers served	1,005,590	982,849	972,265	957,866	940,119
Number of shareholders of common stock	23,476	23,511	24,750	25,269	25,780
Common shares outstanding (000)	178,092	177,714	177,394	176,544	176,753
Employees (full-time)	1,571	1,530	1,551	1,617	1,617

(1) 2018 results include mark-to-market fair value adjustment expense of $47,225 ($59,779 pre-tax) associated with our interest rate swap agreements that were entered into to mitigate interest rate risk associated with our future debt issuances to fund a portion of the Peoples Gas Acquisition

(2) 2015 results include Aqua America's share of a joint venture impairment charge of $21,433 ($32,975 pre-tax)

(3) Debt issuance costs for the years ended December 31, 2018, 2017, 2016, 2015, and 2014 were $20,651, $21,605, $22,357, $23,165, and $23,509, respectively

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Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

OVERVIEW

The following discussion and analysis of our financial condition and results of operations should be read together with our Consolidated Financial Statements and related Notes included in this Annual Report. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business, operations and financial performance. All dollar amounts are in thousands of dollars, except per share amounts.

The Company

Aqua America, Inc., (referred to as "Aqua America", the "Company", "we", "us", or "our"), a Pennsylvania corporation, is the holding company for regulated utilities providing water or wastewater services to an estimated three million people in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia. Our largest operating subsidiary is Aqua Pennsylvania, Inc., which accounted for approximately 53% of our operating revenues and approximately 71% of our Regulated segment's income for 2018. As of December 31, 2018, Aqua Pennsylvania provided water or wastewater services to approximately one-half of the total number of people we serve. Aqua Pennsylvania's service territory is located in the suburban areas in counties north and west of the City of Philadelphia and in 27 other counties in Pennsylvania. Our other regulated utility subsidiaries provide similar services in seven other states. In addition, the Company's market-based activities are conducted through Aqua Infrastructure, LLC and Aqua Resources, Inc. Aqua Infrastructure provides non-utility raw water supply services for firms in the natural gas drilling industry. Aqua Resources provides water service through operating and maintenance contracts with a municipal authority and another party close to our utility companies' service territory; and offers, through a third-party, water and sewer line protection solutions and repair services to households. In 2017, we completed the sale of business units that were reported within the Company's market-based subsidiary, Aqua Resources, one which installed and tested devices that prevent the contamination of potable water and another that constructed, maintained, and repaired water and wastewater systems. During 2016 we completed the sale of business units within Aqua Resources, which were reported as assets held for sale in the Company's consolidated balance sheets, which provided liquid waste hauling and disposal services, and inspection, and cleaning and repair of storm and sanitary wastewater lines.

Industry Mission

The mission of the regulated water utility industry is to provide quality and reliable water service at reasonable rates to customers, while earning a fair return for shareholders. A number of challenges face the industry, including:

- strict environmental, health and safety standards;
- aging utility infrastructure and the need for substantial capital investment;
- economic regulation by state, and/or, in some cases, local government;
- declining consumption per customer as a result of conservation;
- lawsuits and the need for insurance; and
- the impact of weather and sporadic drought conditions on water sales demand.

Economic Regulation

Most of our water and wastewater utility operations are subject to regulation by their respective state utility commissions, which have broad administrative power and authority to regulate billing rates, determine

franchise areas and conditions of service, approve acquisitions, and authorize the issuance of securities. The utility commissions also generally establish uniform systems of accounts and approve the terms of contracts with affiliates and customers, business combinations with other utility systems, and loans and other financings. The policies of the utility commissions often differ from state to state and may change over time. A small number of our operations are subject to rate regulation by county or city government. Over time, the regulatory party in a particular state may change, as was the case for our Texas operations where, in 2014, economic regulation changed from the Texas Commission on Environmental Quality to the Public Utility Commission of Texas. The profitability of our utility operations is influenced to a great extent by the timeliness and adequacy of rate allowances in the various states in which we operate. One consideration we may undertake in evaluating which states to focus our growth and investment strategy is whether a state provides for consolidated rates, a surcharge for replacing and rehabilitating infrastructure, fair value treatment of acquired utility systems, and other regulatory policies that promote infrastructure investment and efficiency in processing rate cases.

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Rate Case Management Capability – We strive to achieve the industry's mission by effective planning, efficient investments, and productive use of our resources. We maintain a rate case management capability to pursue timely and adequate returns on the capital investments that we make in improving our distribution system, treatment plants, information technology systems, and other infrastructure. This capital investment creates assets that are used and useful in providing utility service and is commonly referred to as rate base. Timely and adequate rate relief is important to our continued profitability and in providing a fair return to our shareholders; thus, providing access to capital markets to help fund these investments. Accordingly, the objective of our rate case management strategy is to provide that the rates of our utility operations reflect, to the extent practicable, the timely recovery of increases in costs of operations (primarily labor and employee benefits, electricity, chemicals, transportation, maintenance expenses, insurance and claims costs, and costs to comply with environmental regulations), capital, and taxes. In pursuing our rate case strategy, we consider the amount of net utility plant additions and replacements made since the previous rate decision, the changes in the cost of capital, changes in our capital structure, and changes in operating and other costs. Based on these assessments, our utility operations periodically file rate increase requests with their respective state utility commissions or local regulatory authorities. In general, as a regulated enterprise, our water and wastewater rates are established to provide full recovery of utility operating costs, taxes, interest on debt used to finance capital investments, and a return on equity used to finance capital investments. Our ability to recover our expenses in a timely manner and earn a return on equity employed in the business helps determine the profitability of the Company. As of December 31, 2018, the Company's rate base is estimated to be $ 4,500,000, which is comprised of:

- $4,278,000 filed with respective state utility commissions or local regulatory authorities; and
- $222,000 not yet filed with respective state utility commissions or local regulatory authorities.

Our water and wastewater operations are composed of 44 rate divisions, each of which requires a separate rate filing for the evaluation of the cost of service and recovery of investments in connection with the establishment of tariff rates for that rate division. When feasible and beneficial to our utility customers, we have sought approval from the applicable state utility commission to consolidate rate divisions to achieve a more even distribution of costs over a larger customer base. All of the eight states in which we operate currently permit us to file a revenue requirement using some form of consolidated rates for some or all of the rate divisions in that state.

Revenue Surcharges – Seven states in which we operate water utilities, and six states in which we operate wastewater utilities, permit us to add an infrastructure rehabilitation surcharge to their respective bills to offset the additional depreciation and capital costs associated with capital expenditures related to replacing and rehabilitating infrastructure systems. In our other states, water and wastewater utilities absorb all of the depreciation and capital costs of these projects between base rate increases without the benefit of additional revenues. The gap between the time that a capital project is completed and the recovery of its costs in rates is known as regulatory lag. This surcharge is intended to substantially reduce regulatory lag, which often acts as a disincentive to water and wastewater utilities to rehabilitate their infrastructure. In addition, some states permit our subsidiaries to use a surcharge or credit on their bills to reflect allowable changes in costs, such as changes in state tax rates, other taxes and purchased water costs, until such time as the new costs are fully incorporated in base rates.

Effects of Inflation – Recovery of the effects of inflation through higher water and wastewater rates is dependent upon receiving adequate and timely rate increases. However, rate increases are not retroactive and often lag increases in costs caused by inflation. On occasion, our regulated utility companies may enter

into rate settlement agreements, which require us to wait for a period of time to file the next base rate increase request. These agreements may result in regulatory lag whereby inflationary increases in expenses may not yet be reflected in rates, or a gap may exist between when a capital project is completed and the start of its recovery in rates. Even during periods of moderate inflation, the effects of inflation can have a negative impact on our operating results.

Growth-Through-Acquisition Strategy

Part of our strategy to meet the industry challenges is to actively explore opportunities to expand our utility operations through acquisitions of water and wastewater and other utilities either in areas adjacent to our existing service areas or in new service areas, and to explore acquiring market-based businesses that are complementary to our regulated water and wastewater operations. To complement our growth strategy, we routinely evaluate the operating performance of our individual utility systems, and in instances where limited economic growth opportunities exist or where we are unable to

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achieve favorable operating results or a return on equity that we consider acceptable, we will seek to sell the utility system and reinvest the proceeds in other utility systems. Consistent with this strategy, we are focusing our acquisitions and resources in states where we have critical mass of operations in an effort to achieve economies of scale and increased efficiency. Our growth-through-acquisition strategy allows us to operate more efficiently by sharing operating expenses over more utility customers and provides new locations for future earnings growth through capital investment. Another element of our growth strategy is the consideration of opportunities to expand by acquiring other utilities, including those that may be in a new state if they provide promising economic growth opportunities and a return on equity that we consider acceptable. Our ability to successfully execute this strategy historically and to meet the industry challenges has largely been due to our core competencies, financial position, and our qualified and trained workforce, which we strive to retain by treating employees fairly and providing our employees with development and growth opportunities.

On October 22, 2018, we entered into a purchase agreement to acquire, from LDC Funding LLC, the parent company of PNG Companies, a natural gas distribution company consisting of Peoples Natural Gas Company LLC, Peoples Gas Company LLC, Peoples Gas West Virginia, Inc., Peoples Gas Kentucky, Inc., and Delta Natural Gas Company Inc. (“Peoples”) expanding the Company’s regulated utility business to include natural gas distribution. Peoples serves approximately 740,000 gas utility customers in western Pennsylvania, West Virginia, and Kentucky. The Peoples Gas Acquisition, once consummated, will expand our regulated utility business to include natural gas distribution. At the closing of the Peoples Gas Acquisition, the Company will pay $4,275,000 in cash, subject to adjustments for working capital, certain capital expenditures, transaction expenses and closing indebtedness as set forth in the acquisition agreement. The Company expects to assume approximately $1,300,000 of Peoples’ indebtedness upon the closing of the Peoples Gas Acquisition, which would reduce the cash purchase by approximately $1,300,000. The acquisition is subject to regulatory approvals and other customary closing conditions set forth in the acquisition agreement, and is expected to close in mid-2019.

During 2018, we completed nine acquisitions, which along with the organic growth in our existing systems, represents 22,741 new customers. During 2017, we completed four acquisitions, which along with the organic growth in our existing systems, represents 10,584 new customers. During 2016, we completed nineteen acquisitions, which along with the organic growth in our existing systems, represents 15,282 new customers.

We believe that utility acquisitions, organic growth, and a potential expansion of our market-based business will continue to be the primary sources of growth for us. With approximately 50,000 community water systems in the U.S., 81% of which serve less than 3,300 customers, the water industry is the most fragmented of the major utility industries (telephone, natural gas, electric, water, and wastewater). In the states where we operate regulated utilities, we believe there are approximately 14,000 community water systems of widely-varying size, with the majority of the population being served by government-owned water systems.

Although not as fragmented as the water industry, the wastewater industry in the U.S. also presents opportunities for consolidation. According to the U.S. Environmental Protection Agency’s (“EPA”) most recent survey of wastewater treatment facilities (which includes both government-owned facilities and regulated utility systems) in 2012, there were approximately 15,000 such facilities in the nation serving approximately 76% of the U.S. population. The remaining population represents individual homeowners with their own treatment facilities; for example, community on-lot disposal systems and septic tank systems. The vast majority of wastewater facilities are government-owned rather than regulated

utilities. The EPA survey also indicated that, in 2012, there were approximately 4,000 wastewater facilities in operation in the states where we operate regulated utilities.

Because of the fragmented nature of the water and wastewater utility industries, we believe that there are many potential water and wastewater system acquisition candidates throughout the United States. We believe the factors driving the consolidation of these systems are:

- the benefits of economies of scale;
- the increasing cost and complexity of environmental regulations;
- the need for substantial capital investment;
- the need for technological and managerial expertise;
- the desire to improve water quality and service;

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- limited access to cost-effective financing;
- the monetizing of public assets to support, in some cases, the declining financial condition of municipalities; and
- the use of system sale proceeds by a municipality to accomplish other public purposes.

We are actively exploring opportunities to expand our water and wastewater utility operations through regulated utility acquisitions or otherwise, including the management of publicly-owned facilities in a public-private partnership. We intend to continue to pursue acquisitions of government-owned and regulated water and wastewater utility systems that provide services in areas near our existing service territories or in new service areas. It is our intention to focus on growth opportunities in states where we have critical mass, which allows us to improve economies of scale through spreading our fixed costs over more customers – this cost efficiency should enable us to reduce the size of future rate increases. Currently, the Company seeks to acquire businesses in the U.S. regulated sector, which includes water and wastewater utilities and other regulated utilities, and to pursue growth ventures in market-based activities, by acquiring businesses that provide water and wastewater or other utility-related services and investing in infrastructure projects.

Sendout

Sendout represents the quantity of treated water delivered to our distribution systems. We use sendout as an indicator of customer demand. Weather conditions tend to impact water consumption, particularly during the late spring, summer, and early fall when discretionary and recreational use of water is at its highest. Consequently, a higher proportion of annual operating revenues are realized in the second and third quarters. In general, during this period, an extended period of hot and dry weather increases water consumption, while above-average rainfall and cool weather decreases water consumption. Conservation efforts, construction codes that require the use of low-flow plumbing fixtures, as well as mandated water use restrictions in response to drought conditions can reduce water consumption. We believe an increase in conservation awareness by our customers, including the increased use of more efficient plumbing fixtures and appliances, may continue to result in a long-term structural trend of declining water usage per customer. These gradual long-term changes are normally taken into account by the utility commissions in setting rates, whereas significant short-term changes in water usage, resulting from drought warnings, water use restrictions, or extreme weather conditions, may not be fully reflected in the rates we charge between rate proceedings. In Illinois, our operating subsidiary has adopted a revenue stability mechanism which allows us to recognize state PUC-authorized revenue for a period which is not based upon the volume of water sold during that period, and effectively lessens the impact of weather and consumption variability.

On occasion, drought warnings and water use restrictions are issued by governmental authorities for portions of our service territories in response to extended periods of dry weather conditions, regardless of our ability to meet unrestricted customer water demands. The timing and duration of the warnings and restrictions can have an impact on our water revenues and net income. In general, water consumption in the summer months is affected by drought warnings and restrictions to a higher degree because discretionary and recreational use of water is highest during the summer months, particularly in our northern service territories. At other times of the year, warnings and restrictions generally have less of an effect on water consumption. Currently, portions of our northern and central Texas service areas have conservation water restrictions. Drought warnings and watches result in the public being asked to voluntarily reduce water consumption.

The geographic diversity of our utility customer base reduces the effect of our exposure to extreme or unusual weather conditions in any one area of the country. During the year ended December 31, 2018, our

operating revenues were derived principally from the following states: approximately 53% in Pennsylvania, 13% in Ohio, 9% in Texas, 9% in Illinois, and 6% in North Carolina.

Performance Measures Considered by Management

We consider the following financial measures (and the period to period changes in these financial measures) to be the fundamental basis by which we evaluate our operating results:

- earnings per share;
- operating revenues;
- income from continuing operations;
- earnings before interest, taxes, and depreciation ("EBITD");

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- earnings before income taxes as compared to our operating budget;
- net income; and
- the dividend rate on common stock.

In addition, we consider other key measures in evaluating our utility business performance within our Regulated segment:

- our number of utility customers;
- the ratio of operations and maintenance expense compared to operating revenues (this percentage is termed "operating expense ratio");
- return on revenues (income from continuing operations divided by operating revenues);
- rate base growth;
- return on equity (net income divided by stockholders' equity); and
- the ratio of capital expenditures to depreciation expense.

Some of these measures, like EBITD, are non-GAAP financial measures. The Company believes that the non-GAAP financial measures provide management the ability to measure the Company's financial operating performance across periods and as contrasted to historical financial results, which are more indicative of the Company's ongoing performance and more comparable to measures reported by other companies. When the Company discloses such non-GAAP financial measures, we believe they are useful to investors as a more meaningful way to compare the Company's operating performance against its historical financial results. We believe EBITD from continuing operations is a relevant and useful indicator of operating performance, as we measure it for management purposes because it provides a better understanding of our results of operations by highlighting our operations and the underlying profitability of our core business. Furthermore, we review the measure of earnings before unusual items that are not directly related to our core business, such as the measure of adjusted earnings to remove the Peoples Gas Acquisition expenses, such as transaction expenses and the change in fair value of interest rate swap agreements, which were recognized in 2018, as well as the joint venture impairment charge (noncash), which was recognized in 2015. Refer to Note 10 – *Long-term Debt and Loans Payable* in this Annual Report for information regarding the interest rate swap agreements and "Management's Discussion and Analysis of Financial Condition and Results of Operations – *Liquidity and Capital Resources – Joint Venture"* in this Annual Report for information regarding the impairment charge. We review these measurements regularly and compare them to historical periods, to our operating budget as approved by our Board of Directors, and to other publicly-traded water utilities.

Our operating expense ratio is one measure that we use to evaluate our operating efficiency and management effectiveness of our regulated operations. Our operating expense ratio is affected by a number of factors, including the following:

- ***Regulatory lag –*** Our rate filings are designed to provide for the recovery of increases in costs of operations (primarily labor and employee benefits, electricity, chemicals, transportation, maintenance expenses, insurance and claim costs, and costs to comply with environmental regulations), capital, and taxes. The revenue portion of the operating expense ratio can be impacted by the timeliness of recovery of, and the return on capital investments. The operating expense ratio is further influenced by regulatory lag (increases in operations and maintenance expenses not yet recovered in rates or a gap between the time that a capital project is completed and the start of its cost recovery in rates). The operating expense ratio is also influenced by decreases in operating revenues without a

commensurate decrease in operations and maintenance expense, such as changes in customer water consumption as impacted by adverse weather conditions, or conservation trends. Commencing in 2012, as a result of utility rates incorporating the effects of income tax benefits derived from deducting qualifying utility asset improvements for tax purposes that are capitalized for book purposes in Aqua Pennsylvania and consequently forgoing operating revenue increases until its next rate case becomes effective in May 2019. During periods of inflation, our operations and maintenance expenses may increase, impacting the operating expense ratio, as a result of regulatory lag, since our rate cases may not be filed timely and are not retroactive.

- ***Acquisitions –*** In general, acquisitions of smaller undercapitalized utility systems in some areas may initially increase our operating expense ratio if the operating revenues generated by these operations do not reflect the true cost of service and are accompanied by a higher ratio of operations and maintenance expenses as compared to other operational areas of the company that are more densely populated and have integrated operations. In these cases,

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the acquired operations are characterized as having relatively higher operating costs to fixed capital costs, in contrast to the majority of our operations, which generally consist of larger, interconnected systems, with higher fixed capital costs (utility plant investment) and lower operating costs per customer. For larger acquisitions, such as the Peoples Gas Acquisition, we may incur significant transaction expenses, which increase operations and maintenance expenses in periods prior to and in the period of the closing of the acquisition. In addition, we operate market-based subsidiary companies, Aqua Resources and Aqua Infrastructure. The cost-structure of these market-based companies differs from our utility companies in that, although they may generate free cash flow, these companies have a higher ratio of operations and maintenance expenses to operating revenues and a lower capital investment and, consequently, a lower ratio of fixed capital costs versus operating revenues in contrast to our regulated operations. As a result, the operating expense ratio is not comparable between the businesses. These market-based subsidiary companies are not a component of our Regulated segment.

We continue to evaluate initiatives to help control operating costs and improve efficiencies.

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Consolidated Selected Financial and Operating Statistics

Our selected five-year consolidated financial and operating statistics follow:

Years ended December 31,	2018	2017	2016	2015	2014
Utility customers:					
Residential water	815,663	807,872	801,190	791,404	779,665
Commercial water	41,532	40,956	40,582	40,151	39,614
Industrial water	1,340	1,338	1,349	1,353	1,357
Other water	19,273	19,430	19,036	17,420	17,412
Wastewater	127,782	113,253	110,108	107,538	102,071
Total utility customers	1,005,590	982,849	972,265	957,866	940,119
Operating revenues:					
Residential water	$ 482,946	$ 483,865	$ 484,901	$ 477,773	$ 460,013
Commercial water	133,753	130,373	131,170	126,677	122,795
Industrial water	28,848	27,880	27,916	28,021	27,369
Other water	85,894	65,324	62,983	56,997	59,474
Wastewater	94,170	87,560	82,780	79,399	76,472
Other utility	9,027	9,903	10,357	10,746	9,934
Regulated segment total	834,638	804,905	800,107	779,613	756,057
Other and eliminations	3,453	4,620	19,768	34,591	23,846
Consolidated operating revenues	$ 838,091	$ 809,525	$ 819,875	$ 814,204	$ 779,903
Operations and maintenance expense	$ 308,478	$ 282,253	$ 297,184	$ 308,416	$ 289,244
Change in fair value of interest rate swap agreements (1)	$ 47,225	$ -	$ -	$ -	$ -
Joint venture impairment charge (2)	$ -	$ -	$ -	$ 21,433	$ -
Income from continuing operations	$ 191,988	$ 239,738	$ 234,182	$ 201,790	$ 213,884
Net income	$ 191,988	$ 239,738	$ 234,182	$ 201,790	$ 233,239
Capital expenditures	$ 495,737	$ 478,089	$ 382,996	$ 364,689	$ 328,605
Operating Statistics					
Selected operating results as a percentage of operating revenues:					
Operations and maintenance	36.8%	34.9%	36.2%	37.9%	37.1%
Depreciation and amortization	17.5%	16.9%	16.2%	15.8%	16.2%
Taxes other than income taxes	7.1%	7.0%	6.9%	6.8%	6.5%
Interest expense, net	11.8%	10.9%	9.8%	9.4%	9.8%
Income from continuing operations	22.9%	29.6%	28.6%	24.8%	27.4%
Return on Aqua America stockholders' equity	9.6%	12.2%	12.7%	11.7%	14.1%
Ratio of capital expenditures to depreciation expense	3.4	3.5	2.9	2.9	2.7
Effective tax rate	(7.7%)	6.6%	8.2%	6.9%	10.5%

(1) Represents a mark-to-market fair value adjustment expense of $47,225 ($59,779 pre-tax) associated with our interest rate swap agreements that were entered into to mitigate interest rate risk associated with our planned issuance of long-term debt to fund a portion of the Peoples Gas Acquisition.

(2) Represents a $21,433 ($32,975 pre-tax) joint venture impairment charge. This amount represents our share of the impairment charge recognized by our joint venture that operates a private pipeline to supply raw water to firms with natural gas well drilling operations.

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RESULTS OF OPERATIONS

Net income varies over time as a result of increases in operating income, timing of transaction expenses for acquisitions, including fluctuations in fair value adjustments for interest rate swap agreements entered into in connection with planned acquisitions, and other factors described below. During the past five years, our operating revenues grew at a compound rate of 1.9% and operating expenses grew at a compound rate of 2.3%. Operating revenues have not increased over the past five years at the same levels historically experienced due to two factors. The Company's Pennsylvania operating subsidiary, Aqua Pennsylvania, has not filed a base rate case for an increase since 2011. It filed a base rate case in August 2018, and new customer rates are expected to be implemented in May 2019. Also, the Tax Cuts and Jobs Act of 2017 ("TCJA") reduced income tax expense as a result of a reduction in the corporate federal income tax rate. Operating revenues for 2018 were reduced by income tax savings in our Regulated segment, so as to provide our utility customers with the benefits of the lower income tax expense.

Operating Segments

We have identified ten operating segments and we have one reportable segment based on the following:

- Eight segments are composed of our water and wastewater regulated utility operations in the eight states where we provide these services. These operating segments are aggregated into one reportable segment since each of these operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution and/or wastewater collection methods, and the nature of the regulatory environment. Our single reportable segment is named the Regulated segment.

- Two segments are not quantitatively significant to be reportable and are composed of Aqua Resources and Aqua Infrastructure. These segments are included as a component of "Other," in addition to corporate costs that have not been allocated to the Regulated segment, because they would not be recoverable as a cost of utility service, and intersegment eliminations. Corporate costs include general and administrative expenses, and interest expense.

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The following table provides the Regulated segment and consolidated information for the years ended December 31, 2018, 2017, and 2016:

	2018			2017		
	Regulated	Other and Eliminations	Consolidated	Regulated	Other and Eliminations	Consolidated
Operating revenues	$ 834,638	$ 3,453	$ 838,091	$ 804,905	$ 4,620	$ 809,525
Operations and maintenance expense	292,232	16,246	308,478	282,009	244	282,253
Taxes other than income taxes	57,140	2,622	59,762	54,524	2,104	56,628
Earnings (loss) before interest, taxes, depreciation and amortization	$ 485,266	$ (15,415)	469,851	$ 468,372	$ 2,272	470,644
Depreciation and amortization			146,673			136,724
Operating income			323,178			333,920
Other expense (income):						
Interest expense, net			98,902			88,341
Allowance for funds used during construction			(13,023)			(15,211)
Change in fair value of interest rate swap agreements			59,779			-
Gain on sale of other assets			(714)			(484)
Equity earnings in joint venture			(2,081)			(331)
Other			1,996			4,953
Provision for income taxes (benefit)			(13,669)			16,914
Net income			$ 191,988			$ 239,738

	2016		
	Regulated	Other and Eliminations	Consolidated
Operating revenues	$ 800,107	$ 19,768	$ 819,875
Operations and maintenance expense	277,634	19,550	297,184
Taxes other than income taxes	53,916	2,469	56,385
Earnings before interest, taxes, depreciation and amortization	$ 468,557	$ (2,251)	466,306
Depreciation and amortization			133,008
Operating income			333,298
Other expense (income):			
Interest expense, net			80,594
Allowance for funds used during construction			(8,815)
Gain on sale of other assets			(378)
Equity earnings in joint venture			(976)
Other			7,713
Provision for income taxes			20,978
Net income			$ 234,182

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Consolidated Results

Operating Revenues – Operating revenues totaled $838,091 in 2018, $809,525 in 2017, and $819,875 in 2016. Our Regulated segment's revenues totaled $ 834,638 in 2018, $804,905 in 2017, and $800,107 in 2016. The growth in our Regulated segment's revenues over the past three years is a result of increases in our water and wastewater rates and our customer base. Rate increases implemented during the past three years have provided additional operating revenues of $8,362 in 2018, $6,143 in 2017, and $4,319 in 2016. Additionally, in 2018 our wastewater revenues increased by $2,909 primarily due to an increase in the volume of treated wastewater flows from the City of Ft. Wayne, Indiana at our Indiana wastewater treatment plant. In 2018, revenues were negatively impacted due to the reduction in the corporate income tax rate from 35% to 21% due to the TCJA. As a result, revenues were reduced by $5,123 for amounts refundable to utility customers associated with the TCJA. Negatively impacting revenues in 2017 was a decrease in customer water consumption primarily due to unfavorable weather conditions during the year. The number of customers increased at an annual compound rate of 1.7% over the past three years due to acquisitions and organic growth, adjusted to exclude customers associated with utility system dispositions. Acquisitions in our Regulated segment have provided additional water and wastewater revenues of $3,877, in 2018, $1,695 in 2017, and $8,201 in 2016.

On June 7, 2012, Aqua Pennsylvania reached a settlement agreement in its rate filing with the Pennsylvania Public Utility Commission, which in addition to a water rate increase, provided for a reduction in current income tax expense as a result of the recognition of qualifying income tax benefits upon Aqua Pennsylvania changing its tax accounting method to permit the expensing of qualifying utility asset improvement costs that historically had been capitalized and depreciated for book and tax purposes. In December 2012, Aqua Pennsylvania implemented this change which provides for the flow-through of income tax benefits that resulted in a substantial reduction in income tax expense and greater net income and cash flow. As a result, Aqua Pennsylvania was able to suspend its water Distribution System Improvement Charges from January 1, 2013 to September 30, 2017, when it resumed the use of a water Distribution System Improvement Charge on October 1, 2017. Aqua Pennsylvania was able to lengthen the amount of time until its next base rate case, which was filed in August 2018. During 2018, 2017, and 2016, the income tax accounting change resulted in income tax benefits of $64,183, $84,766, and $78,530 that reduced the Company's current income tax expense and increased net income. The Company recognized a tax deduction on its 2012 Federal tax return of $380,000 for qualifying capital expenditures made prior to 2012. Based on the 2012 settlement agreement, beginning in 2013, the Company began to amortize 1/10th of these expenditures, or $38,000 annually, which reduced income tax expense and increased the Company's net income by $16,734, which is included in the income tax benefits noted previously. In accordance with the 2012 settlement agreement, this amortization is expected to reduce income tax expense during periods when qualifying parameters are met. In August 2018, Aqua Pennsylvania filed for a base rate increase in water and wastewater rates for its customers. In February 2019, Aqua Pennsylvania filed a settlement for this base rate case. Rates from this settlement for approximately $47,000 are expected to go into effect in May 2019. This settlement agreement is subject to approval by the administrative law judge and the Pennsylvania Public Utilities Commission.

Our operating subsidiaries received rate increases representing estimated annualized revenues of $11,558 in 2018 resulting from five base rate decisions, $7,558 in 2017 resulting from five base rate decisions, and $3,434 in 2016 resulting from six rate decisions. Revenues from these increases realized in the year of grant were $7,270 in 2018, $6,343 in 2017, and $1,788 in 2016. As of December 31, 2018, our operating subsidiaries have filed two rate requests, which are being reviewed by the state utility commissions, proposing an aggregate increase of $78,971 in annual revenues, which includes our August 2018 rate case

filing in Pennsylvania. In February 2019, Aqua Pennsylvania filed a settlement for this base rate case. Rates from this settlement for approximately $47,000 are expected to go into effect in May 2019. This settlement agreement is subject to approval by the administrative law judge and the Pennsylvania Public Utilities Commission. During 2019, we intend to file five additional rate requests proposing an aggregate of approximately $696 of increased annual revenues; the timing and extent to which our rate increase requests may be granted will vary by state.

Currently, New Jersey allows for an infrastructure rehabilitation surcharge for water utilities, while Pennsylvania, Illinois, Ohio, Indiana, and North Carolina allow for the use of an infrastructure rehabilitation surcharge for both water and wastewater utility systems, and Aqua Virginia is piloting an infrastructure rehabilitation surcharge for its water and wastewater utilities to be implemented in 2019, pursuant to the final order issued in Aqua Virginia's 2018 rate case. The rate increases under this surcharge typically adjust periodically based on additional qualified capital expenditures completed or anticipated in a future period. This surcharge is capped as a percentage of base rates, generally at 5% to 12.75% of base rates, and is reset to zero when new base rates that reflect the costs of those additions become effective or

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when a utility's earnings exceed a regulatory benchmark. These surcharges provided revenues of $31,836 in 2018, $10,255 in 2017, and $7,379 in 2016.

Our Regulated segment also includes operating revenues of $9,427 in 2018, $9,903 in 2017, and $10,357 in 2016 associated with contract operations that are integrated into the regulated utility business and operations. These amounts vary over time according to the level of activity associated with the utility contract operations.

In addition to the Regulated segment operating revenues, we recognized market-based revenues that are associated with Aqua Resources and Aqua Infrastructure of $3,590 in 2018, $4,798 in 2017, and $20,091 in 2016. The decrease in revenues in 2018 and 2017 is due to the disposition of business units within Aqua Resources.

Operations and Maintenance Expenses – Operations and maintenance expenses totaled $308,478 in 2018, $282,253 in 2017, and $297,184 in 2016. Most elements of operating costs are subject to the effects of inflation and changes in the number of customers served. Several elements are subject to the effects of changes in water consumption, weather, and the degree of water treatment required due to variations in the quality of the raw water. The principal elements of operating costs are labor and employee benefits, electricity, chemicals, transportation, maintenance expenses, insurance and claims costs, and costs to comply with environmental regulations. Electricity and chemical expenses vary in relationship to water consumption, raw water quality, and price changes. Maintenance expenses are sensitive to extremely cold weather, which can cause water mains to rupture, resulting in additional costs to repair the affected main.

Operations and maintenance expenses increased in 2018, as compared to 2017, by $26,225 or 9.3%, primarily due to:

- transaction expenses of $14,184 for our planned Peoples Gas Acquisition, primarily representing expenses associated with obtaining regulatory approvals, investment banking fees, legal expenses, and integration planning;
- an increase in labor and benefits expenses of $8,301, primarily due to additional overtime expenses for increased maintenance activities and wage increases;
- additional operating costs associated with acquired utility systems of $1,363;
- the prior year effect of a favorable settlement for a disputed contract of $1,062; and
- the prior year effect of the favorable treatment of a regulatory asset of $1,000 due to a rate proceeding that occurred in 2017;
- offset by a reduction in operating expenses for our market-based activities of $2,441 primarily associated with the completion of the disposition of business units within Aqua Resources, which was finalized in June 2017; and
- a favorable net change in regulatory assets and liabilities of $615 resulting from rate proceedings in 2018.

Operations and maintenance expenses decreased in 2017, as compared to 2016, by $14,931 or 5.0%, primarily due to:

- decreases in market-based activities expenses of $15,933 due to the disposition of business units within Aqua Resources;
- a decrease in water production costs of $6,301 primarily due to a reduction in purchased water

expense of $4,794 due to replacing a purchased water supply with the Company's own water supply source; and

- a decrease in the Company's self-insured employee medical benefit program expense of $4,838;
- offset by $4,102 for the timing of expenses incurred for the maintenance of our utility systems and the purchase of supplies, as well as other increases in operations and maintenance expenses.

Depreciation and Amortization Expenses – Depreciation expense was $146,032 in 2018, $136,302 in 2017, and $130,987 in 2016, and has increased principally as a result of the significant capital expenditures made to expand and improve our utility facilities, and our acquisitions of new utility systems.

Amortization expense was $641 in 2018, $422 in 2017, and $2,021 in 2016, and decreased in 2017 primarily due to the completion of the recovery of our costs associated with various rate filings. Expenses associated with filing rate cases are deferred and amortized over periods that generally range from one to three years.

Taxes Other than Income Taxes – Taxes other than income taxes totaled $59,762 in 2018, $56,628 in 2017, and $56,385 in 2016. The increase in 2018 was primarily due to an increase in property taxes of $1,659 primarily resulting from the

prior year effect of the reversal of a reserve due to a favorable property tax appeal in Ohio, and an increase in gross receipts, excise and franchise taxes of $1,063. The increase in 2017 was primarily due to an increase in gross receipts, excise and franchise taxes of $949, and an increase in taxes assessed resulting from the pumping of ground water in Texas of $486 due to higher water production volume and rates, offset by a $978 decrease in property taxes primarily due to a favorable ruling on a property tax appeal in Ohio.

Interest Expense, net – Net interest expense was $98,902 in 2018, $88,341 in 2017, and $80,594 in 2016. Interest income of $152 in 2018, $202 in 2017, and $217 in 2016 was netted against interest expense. Net interest expense increased in 2018 due to an increase in average borrowings of $335,028 and an increase in short-term and long-term interest rates. Net interest expense increased in 2017 due to an increase in average borrowings of $157,768 and an increase in short-term and long-term interest rates. Interest income decreased in 2018 and 2017 due to lower investment rates. The weighted average cost of fixed rate long-term debt was 4.31% at December 31, 2018, 4.35% at December 31, 2017, and 4.26% at December 31, 2016. The weighted average cost of fixed and variable rate long-term debt was 4.23% at December 31, 2018, 4.29% at December 31, 2017, and 4.23% at December 31, 2016.

Allowance for Funds Used During Construction – The allowance for funds used during construction ("AFUDC") was $13,023 in 2018, $15,211 in 2017, and $8,815 in 2016, and varies as a result of changes in the average balance of utility plant construction work in progress, to which AFUDC is applied, changes in the AFUDC rate which is based predominantly on short-term interest rates, changes in the balance of short-debt, and changes in the amount of AFUDC related to equity. The decrease in 2018 is primarily due to a decrease in the AFUDC rate as a result of a decrease in the amount of AFUDC related to equity and a decrease in the average balance of utility plant construction work in progress, to which AFUDC is applied. The increase in 2017 is primarily due to an increase in the AFUDC rate as a result of an increase in the amount of AFUDC related to equity, and an increase in the average balance of utility plant construction work in progress, to which AFUDC is applied. The amount of AFUDC related to equity was $9,691 in 2018, $11,633 in 2017, and $6,561 in 2016.

Change in Fair Value of Interest Rate Swap Agreements – The change in fair value of interest rate swap agreements of $59,779 represents the mark-to-market adjustment of our interest rate swap agreements that were entered into on October 23, 2018 to mitigate interest rate risk associated with an anticipated $850,000 of future debt issaunces to fund a portion of the Peoples Gas Acquisition. The interest rate swap agreements do not qualify for hedge accounting, and any changes in the fair value of the swaps are included in earnings.

Gain on Sale of Other Assets – Gain on sale of other assets totaled $714 in 2018, $484 in 2017, and $378 in 2016, and consists of the sales of property, plant and equipment and marketable securities.

Equity Earnings in Joint Venture – Equity earnings in joint venture totaled $2,081 in 2018, $331 in 2017, and $976 in 2016. The equity earnings in 2018 and 2017 primarily resulted from the sale of raw water to firms in the natural gas drilling industry. The equity earnings in 2016 resulted from the recognition of a connection fee earned by the joint venture in 2016 for which our share was $1,831, which did not recur in 2017 or 2018.

Other – Other totaled $1,996 in 2018, $4,953 in 2017, and $7,713 in 2016, and represents our net periodic pension and postretirement benefit costs and, commencing in 2018, the change in fair value of our equity investments in the non-qualified pension plan. The decrease in 2018 and 2017 is primarily due to a decrease in the non-service cost components of our net benefit cost for pension and postretirement benefits.

On January 1, 2018 the Company adopted the FASB's updated accounting guidance on the presentation of net periodic pension and postretirement benefit cost and the FASB's updated accounting guidance on the recognition and measurement of financial assets and financial liabilities. Refer to *Note 1 – Summary of Significant Accounting Policies – Recent Accounting Pronouncements* for further information on our adoption of these updates.

Income Taxes – Our effective income tax rate was (7.7)% in 2018, 6.6% in 2017, and 8.2% in 2016. The effective income tax rate for 2018, 2017, and 2016 was affected by the 2012 income tax accounting change for qualifying utility asset improvements at Aqua Pennsylvania which resulted in a $64,183, $84,766, and $78,530 net reduction to the Company's 2018, 2017, and 2016 Federal and state income tax expense, respectively. As of December 31, 2018, the Company has an unrecognized tax benefit related to the Company's change in its tax accounting method for qualifying utility asset improvement costs, of which up to $26,990 of these tax benefits would further reduce the Company's

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effective income tax rate in the event the Company does sustain all, or a portion, of its tax position in the period this information is determined. Offsetting this reduction was the effect of the revaluation, in 2017, of our deferred income tax assets and liabilities, triggered by the TCJA, which resulted in the recognition of additional income tax expense of $3,141 to the extent revalued deferred income taxes are not believed to be recoverable in utility customer rates. Additionally, the decrease in our income before income taxes of $78,333 for 2018, as compared to the prior year, which results primarily from the change in fair value of interest rate swap agreements and transaction expenses for our planned acquisition of Peoples discussed above resulted in a decrease in our effective income tax rate for 2018 as compared to the prior year.

Summary –

	Years ended December 31,		
	2018	2017	2016
Operating income	$ 323,178	$ 333,920	$ 333,298
Net income	191,988	239,738	234,182
Diluted net income per share	1.08	1.35	1.32

The changes in diluted net income per share in 2018 and 2017 over the previous years were due to the aforementioned changes.

While the importance to the future realization of improved profitability relies on continued adequate rate increases reflecting increased operating costs and new capital improvements, other factors such as transaction expenses for acquisitions will likely cause changes in operating income, net income and diluted net income per share.

Although we have experienced increased income in the recent past, continued adequate rate increases reflecting increased operating costs and new capital investments, are important to the future realization of improved profitability.

Fourth Quarter Results – The following table provides our fourth quarter results:

	Three Months Ended December 31,	
	2018	2017
Operating revenues	$ 205,747	$ 203,312
Operations and maintenance	92,393	78,004
Depreciation	35,995	34,794
Amortization	163	64
Taxes other than income taxes	14,402	12,238
	142,953	125,100
Operating income	62,794	78,212
Other expense (income):		
Interest expense, net	26,349	23,217
Allowance for funds used during construction	(4,513)	(4,641)
Change in fair value of interest rate swap agreements	59,779	-
Gain on sale of other assets	(116)	(162)

Equity (earnings) loss in joint venture	(573)	71
Other	631	1,239
(Loss) income before income taxes	(18,763)	58,488
Provision for income taxes (benefit)	(15,106)	5,015
Net (loss) income	$ (3,657)	$ 53,473

The increase in operating revenues of $2,435 was primarily due to:

- a net increase in water and wastewater rates and infrastructure rehabilitation surcharges of $4,660;

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- additional revenues of $1,928 associated with a larger customer base due to utility acquisitions; and
- an increase in sewer revenues of $826 primarily due to an increase in the volume of treated wastewater flows from the City of Ft. Wayne, Indiana at our Indiana wastewater treatment plant;
- offset by a decrease in customer water consumption.

The increase in operations and maintenance expense of $14,389 was primarily due to:

- transaction expenses of $14,184 for our planned Peoples Gas Acquisition, primarily representing expenses associated with obtaining regulatory approvals, investment banking fees, legal expenses, and integration planning;
- the write-off of $3,284 of regulatory assets resulting from rate proceedings; and
- additional operating costs associated with acquired utility systems of $622;
- offset by a decrease in maintenance expenses of $1,762 due to the effect of work performed in the prior year for dredging, clearing, and disposal services performed at some of our Pennsylvania water treatment facilities.

Depreciation expense increased by $1,201 primarily due to the utility plant placed in service since December 31, 2017, offset by a decrease in the depreciation rates for our Illinois subsidiary due to a deprecation study that was performed.

The increase in other taxes of $2,164 is primarily due to an increase in property taxes of $1,724 primarily resulting from the prior year effect of the reversal of a reserve due to a favorable property tax appeal in Ohio, and an increase in gross receipts, excise and franchise taxes of $576, offset by a decrease in taxes assessed resulting from the pumping of ground water in Texas of $273 due to lower water production volume associated with unfavorable weather conditions.

Interest expense increased by $3,132 due to an increase in the average outstanding debt balance, offset by a decrease in our effective interest rate.

The change in fair value of interest rate swap agreements of $59,779 represents the mark-to-market of our interest rate swap agreements that were entered into on October 23, 2018 to mitigate interest rate risk associated with our future debt issuances to fund a portion of the Peoples Gas Acquisition. The interest rate swap agreements do not qualify for hedge accounting and any changes in the fair value of the swaps are included in earnings.

Equity (earnings) loss in joint venture totaled $(573) for the fourth quarter of 2018 and $71 for the fourth quarter of 2017. The increase in equity earnings of $644 is due to an increase in the sale of raw water to firms in the natural gas drilling industry.

Other decreased by $608 primarily due to a decrease in the non-service costs components of our net benefit cost for pension and postretirement benefits.

The provision for income taxes decreased by $20,121 primarily as a result of our loss in income before income taxes, and additional tax deductions recognized in the fourth quarter of 2018 for certain qualifying infrastructure improvements for Aqua Pennsylvania.

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LIQUIDITY AND CAPITAL RESOURCES

Consolidated Cash Flow and Capital Expenditures

Net operating cash flows from continuing operations, dividends paid on common stock, capital expenditures used in continuing operations, including allowances for funds used during construction, and expenditures for acquiring water and wastewater systems for our continuing operations for the five years ended December 31, 2018 were as follows:

	Net Operating Cash Flows	Dividends	Capital Expenditures	Acquisitions
2014	$ 364,888	$ 112,106	$ 328,605	$ 14,616
2015	370,794	121,248	364,689	28,989
2016	396,163	130,923	382,996	9,423
2017	381,318	140,660	478,089	5,860
2018	368,522	150,736	495,737	145,693
	$ 1,881,685	$ 655,673	$ 2,050,116	$ 204,581

Net cash flows from operating activities decreased from 2017 to 2018 primarily due to a reduction in deferred income taxes and a change in working capital. Net income in 2018 was comparable to 2017, when excluding the after-tax effect of the change in the fair value of the interest rate swap agreements. Net cash flows from operating activities decreased from 2016 to 2017 due to an increase in pension and other postretirement benefits contributions, changes in deferred income taxes and an increase in the amount of AFUDC related to equity funds of $5,072 in 2017 compared to 2016. Net cash flows from operating activities increased from 2015 to 2016 primarily due to an increase in net income, a change in working capital, and a decrease in pension and other postretirement benefits contributions. Net cash flows from operating activities increased from 2014 to 2015 primarily due to a change in working capital.

Included in capital expenditures for the five-year period are: expenditures for the rehabilitation of existing water and wastewater systems, the expansion of our water and wastewater systems, modernization and replacement of existing treatment facilities, water meters, office facilities, information technology, vehicles, and equipment. During this five-year period, we received $34,001 of customer advances and contributions in aid of construction to finance new water mains and related facilities that are not included in the capital expenditures presented in the above table. In addition, during this period, we have made repayments of debt of $886,464 and have refunded $24,521 of customers' advances for construction. Dividends increased during the past five years as a result of annual increases in the dividends declared and paid and increases in the number of shares outstanding.

Our planned 2019 capital program, excluding the costs of new mains financed by advances and contributions in aid of construction, and excluding planned capital expenditures by Peoples after a mid-2019 closing, is estimated to be approximately $550,000 in infrastructure improvements for the communities we serve. The 2019 capital program is expected to include $231,800 for infrastructure rehabilitation surcharge qualified projects. On January 1, 2013, Aqua Pennsylvania reset its water infrastructure rehabilitation surcharge to zero resulting from the change in its tax method of accounting for qualifying utility asset improvements as described below. Although we were not eligible to use an infrastructure rehabilitation surcharge with our Aqua Pennsylvania water customers from January 1, 2013 to September 30, 2017, we were able to use the income tax savings derived from the qualifying utility asset improvements to maintain Aqua Pennsylvania's capital investment program. Our planned 2019 capital program in Pennsylvania is

estimated to be approximately $323,000, a portion of which is expected to be eligible as a deduction for qualifying utility asset improvements for Federal income tax purposes. Our overall 2019 capital program, excluding the Peoples Gas Acquisition, along with $144,545 of debt repayments and $242,020 of other contractual cash obligations, as reported in the section captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations – *Contractual Obligations*”, has been, or is expected to be, financed through internally-generated funds, our revolving credit facilities, and the issuance of long-term debt.

Future utility construction in the period 2020 through 2021, including recurring programs, such as the ongoing replacement or rehabilitation of water meters and water mains, water treatment plant upgrades, storage facility renovations, and additional transmission mains to meet customer demands, excluding the costs of new mains financed by

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advances and contributions in aid of construction, is estimated to require aggregate expenditures of approximately $883,000. We anticipate that approximately one-half of these expenditures will require external financing. We expect to refinance $131,319 of long-term debt during this period as they become due with new issues of long-term debt, internally-generated funds, and our revolving credit facilities. The estimates discussed above do not include any amounts for possible future acquisitions of water and wastewater systems or the financing necessary to support them.

Our primary sources of liquidity are cash flows from operations (including the allowed deferral of Federal income tax payments), borrowings under various short-term lines of credit and other credit facilities, and customer advances and contributions in aid of construction. Our cash flow from operations, or internally-generated funds, is impacted by the timing of rate relief, water consumption, and changes in Federal tax laws with respect to the reduction in the corporate income tax rate, and accelerated tax depreciation or deductions for utility construction projects. We fund our capital and typical acquisitions through internally-generated funds, supplemented by short-term lines of credit. Over time, we partially repay or pay-down our short-term lines of credit with long-term debt. We expect to finance the Peoples Gas Acquisition purchase price, and to refinance certain debt of the Company, with a mix of common equity, equity-linked securities, and debt financing, which could include senior notes issued in capital markets transactions, term loans or other credit facilities or any combination thereof. On October 22, 2018, we obtained a commitment (the "Bridge Commitment") from certain banks to provide senior unsecured bridge loans, which backstops the Peoples Gas Acquisition purchase price, and the refinancing of certain debt of the Company. See "Acquisitions" for a discussion of the Bridge Commitment. The ability to finance our future construction programs, as well as our acquisition activities, depends on our ability to attract the necessary external financing and maintain internally-generated funds. Timely rate orders permitting compensatory rates of return on invested capital will be required by our operating subsidiaries to achieve an adequate level of earnings and cash flow to enable them to secure the capital they will need to operate and to maintain satisfactory debt coverage ratios.

Acquisitions

Pursuant to the Company's growth strategy, on October 22, 2018, the Company entered into a purchase agreement to acquire, from LDC Funding LLC, the parent company of PNG Companies, a natural gas distribution company headquartered in Pittsburgh, Pennsylvania, serving approximately 740,000 gas utility customers in western Pennsylvania, West Virginia, and Kentucky. At the closing of the Peoples Gas Acquisition, the Company will pay $4,275,000 in cash, subject to adjustments for working capital, certain capital expenditures, transaction expenses and closing indebtedness as set forth in the acquisition agreement. The Company expects to assume approximately $1,300,000 of Peoples' indebtedness upon closing of the Peoples Gas Acquisition, which would reduce the cash purchase price by approximately $1,300,000. The Company expects to finance this acquisition with a mix of common equity, equity-linked securities, and debt financing, which could include senior notes issued in capital markets transactions, term loans or other credit facilities or any combination thereof. On October 22, 2018, the Company obtained the Bridge Commitment from certain banks to provide senior unsecured bridge loans in an aggregate amount of up to $5,100,000 to, among other things, backstop the Peoples Gas Acquisition purchase price and the refinancing of certain debt of the Company and of Peoples. As of December 31, 2018, we had terminated approximately $1,633,000 of commitments under the Bridge Commitment in connection with, among other things, the replacement of our unsecured revolving credit facility and the expected maintenance of certain Peoples' indebtedness. The obligations of the lenders to fund the remaining amount under the Bridge Commitment are subject to the satisfaction of customary closing conditions. On October 23, 2018, the Company entered into interest rate swap agreements to mitigate interest rate risk associated with our planned issuance of long-term debt to fund a portion of the Peoples Gas Acquisition. The interest rate

swaps will be settled upon issuance of the debt to be used to finance a portion of the purchase price of this acquisition. The interest rate swap agreements do not qualify for hedge accounting and any changes in the fair value of the swaps is included in our earnings. The Peoples Gas Acquisition is subject to regulatory approvals, including by the public utility commissions in Pennsylvania, Kentucky, and West Virginia, and other customary closing conditions set forth in the acquisition agreement. This acquisition is expected to close in mid-2019, once regulatory approvals are obtained, and it is anticipated that this transaction will result in the recording of goodwill. The acquisition agreement may be terminated at any time prior to the closing of the Peoples Gas Acquisition by mutual written consent of the Company and Seller, or by either party in the event the acquisition is not completed by October 22, 2019, subject to extension to April 22, 2020 to obtain necessary regulatory approvals, and in other customary circumstances. In the event that this acquisition is terminated due to certain breaches by the Company, a fee of $120,000 would be payable to the Seller as liquidated damages.

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During the past five years, we have expended cash of $204,581 and issued 439,943 shares of common stock, valued at $12,845 at the time of acquisition, related to the acquisition of both water and wastewater utility systems.

In July 2018, the Company acquired the wastewater utility system assets of Limerick Township, Pennsylvania which serves 5,497 customers. The total cash purchase price for the utility system was $74,836. The purchase price allocation for this acquisition consisted primarily of acquired property, plant and equipment of $64,759 and goodwill of $10,790. Additionally, during 2018, we completed seven acquisitions of water and wastewater utility systems for $42,519 in cash in three of the states in which we operate, adding 8,661 customers. Further, in December 2018, the Company acquired the Valley Creek Trunk Sewer System, serving area municipalities in Pennsylvania, from the Tredyffrin Township Municipal Authority for $28,300. The system receives untreated wastewater from area municipalities, which is conveyed to the Valley Forge Treatment Plan. The system consists of 49,000 linear feet of gravity sewers, pump stations, and force mains.

In November 2018, the Company entered into a purchase agreement to acquire the wastewater utility system assets of East Norriton Township, Pennsylvania, which serves approximately 4,950 customers for $21,000. The purchase price for this pending acquisition is subject to certain adjustments at closing, and is subject to regulatory approval, including the final determination of the fair value of the rate base acquired.

In July 2018, the Company entered into a purchase agreement to acquire the wastewater utility system assets of Cheltenham Township, Pennsylvania, which serves approximately 10,500 customers for $50,250. The purchase price for this pending acquisition is subject to certain adjustments at closing, and is subject to regulatory approval, including the final determination of the fair value of the rate base acquired.

In addition to the Company's pending acquisitions in East Norriton and Cheltenham Townships, Pennsylvania, as part of the Company's growth-through-acquisition strategy, the Company has entered into purchase agreements to acquire the water or wastewater utility system assets of four municipalities for a total combined purchase price in cash of $38,950. The purchase price for these pending acquisitions is subject to certain adjustments at closing, and the pending acquisitions are subject to regulatory approvals, including the final determination of the fair value of the rate base acquired. Closings for these acquisitions are expected to occur by the end of 2019, which is subject to the timing of the regulatory approval process. These acquisitions are expected to add approximately 4,000 customers in two of the states in which the Company operates. We intend to fund these pending acquisitions by the issuance of long-term debt.

In 2017, we completed four acquisitions of water and wastewater utility systems for $5,860 in cash in two of the states in which we operate, adding 1,003 customers.

In January 2016, we acquired the water utility system assets of Superior Water Company, Inc., which provided public water service to 4,108 customers in portions of Berks, Chester, and Montgomery counties in Pennsylvania. The total purchase price for the utility system was $16,750, which consisted of the issuance of 439,943 shares of the Company's common stock and $3,905 in cash. Additionally, during 2016, we completed 18 acquisitions of water and wastewater utility systems for $5,518 in cash in eight of the states in which we operate, adding 2,469 customers.

In April 2015, we acquired the water and wastewater utility system assets of North Maine Utilities, located in the Village of Glenview, Illinois serving 7,409 customers. The total purchase price consisted of $23,079

in cash. Additionally, during 2015, we completed 14 acquisitions of water and wastewater utility systems for $5,210 in cash in six of the states in which we operate, adding 3,170 customers.

During 2014, we completed 16 acquisitions of water and wastewater utility systems for $10,530 in cash in seven of the states in which we operate, adding 6,148 customers. Further, in 2014, we acquired two market-based businesses that specialized in inspecting, cleaning and repairing storm and sanitary sewer lines, as well as providing water distribution system services and training to waterworks operators. The total purchase price in aggregate was $4,810 and both these businesses were subsequently sold in November 2016 and January 2017.

We continue to pursue the acquisition of water and wastewater utility systems and explore other utility acquisitions that may be in a new state. Our typical acquisitions are expected to be financed with short-term debt with subsequent repayment from the proceeds of long-term debt, retained earnings, or equity issuances.

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Joint Venture

Aqua Infrastructure, LLC is a partner in a joint venture with a firm that operates natural gas pipelines and processing plants for the operation of a private pipeline system to supply raw water to natural gas well drilling operations in the Marcellus Shale in north-central Pennsylvania (the "Joint Venture"). We own 49% of the Joint Venture. The 56 mile pipeline construction and permitted intake on the Susquehanna River cost $109,000. As of December 31, 2018, our capital contributions since inception in 2011 totaled $53,643 in cash. This investment has been financed through the issuance of long-term debt. Our 49% investment in the Joint Venture is an unconsolidated affiliate and is accounted for under the equity method of accounting. Our initial investment is carried at cost. Subsequently, the carrying amount of our investment is adjusted to reflect capital contributions or distributions, our equity in earnings and losses since the commencement of the system's operations, and a decline in the fair value of our investment. In 2015, an impairment charge was recognized by the joint venture on its long-lived assets, of which the Company's share totaled $32,975 ($21,433 after-tax), representing our share of the noncash impairment charge as further described in Note 1 – *Summary of Significant Accounting Policies – Investment in Joint Venture* in this Annual Report.

Dispositions

We routinely review and evaluate areas of our business and operating divisions and, over time, may sell utility systems or portions of systems. In 2017, the Company sold two business units within Aqua Resources, which resulted in total proceeds of $867, and recognized a net loss of $324. In 2016, the Company sold two business units within Aqua Resources, which resulted in total proceeds of $4,459, and recognized a net loss of $543.

In December 2014, we completed the sale of our water utility system in southwest Allen County Indiana to the City of Fort Wayne, Indiana for $67,011, which is comprised of $50,100 in addition to $16,911 the city initially paid the Company towards its water and wastewater system assets in the northern part of Fort Wayne in 2008. We recognized a gain on sale of $29,210 ($17,611 after-tax) in 2014. In addition, as a result of this transaction, Aqua Indiana expanded its sewer customer base by accepting new wastewater flows from the City. Additionally, in March 2014, we completed the sale of our wastewater treatment facility in Georgia.

Despite these transactions, one of our primary strategies continues to be to acquire additional utility systems, to maintain our existing systems where there is a strategic business benefit, and to actively oppose unilateral efforts by municipal governments to acquire any of our operations.

Sources of Capital

Since net operating cash flow plus advances and contributions in aid of construction have not been sufficient to fully fund our cash requirements including capital expenditures and our growth through acquisitions program, we issued $2,089,206 of long-term debt and obtained other short-term borrowings during the past five years. At December 31, 2018, we have a $550,000 long-term revolving credit facility that expires in December 2023, of which $20,825 was designated for letter of credit usage, $159,175 was available for borrowing, and $370,000 of borrowings were outstanding at December 31, 2018. Additionally, the facility expands by $150,000 of capacity upon closing of the Peoples Gas Acquisition, which amount will be available to repay certain outstanding indebtedness and fees to close an existing credit facility of Peoples and for general corporate purposes. Further, the Company may request to expand the facility by an additional amount of up to $300,000 upon the closing of the Peoples Gas Acquisition. In addition, we have short-term lines of credit of $135,500, of which $120,051 was available as of

December 31, 2018. These short-term lines of credit are subject to renewal on an annual basis. Although we believe we will be able to renew these facilities, there is no assurance that they will be renewed, or what the terms of any such renewal will be.

In October 2018, we entered into a $5,100,000 syndicated, committed bridge facility to support our agreement to acquire Peoples. Subsequently, $1,633,000 has been terminated as no longer required, and we expect to terminate portions of the bridge facility as a result of equity and debt issuances, including equity-linked financings, are entered into to fund our acquisition. The bridge facility expires the earlier of closing of the acquisition or October 2019.

We expect to finance our pending acquisition of Peoples and refinance certain debt with a mix of common equity, mandatory convertible equity units, debt financing, which could include senior notes issued in capital markets transactions, term loans or other credit facilities or any combination thereof. The purchase price for this acquisition is

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$4,275,000, which will be reduced by the amount of outstanding indebtedness at closing, which is estimated to be approximately $1,300,000.

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

Our loan and debt agreements require us to comply with certain financial covenants, which among other things, subject to specific exceptions, limit the Company's ratio of consolidated total indebtedness to consolidated total capitalization, and require a minimum level of earnings coverage over interest expense. During 2018, we were in compliance with our debt covenants under our credit facilities. Failure to comply with our debt covenants could result in an event of default, which could result in us being required to repay or refinance our borrowings before their due date, possibly limiting our future borrowings, and increasing our borrowing costs.

The Company has a universal "pay as you go" shelf registration statement, filed with the SEC in February 2018, which allows for the potential future offer and sale by us, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities, and other securities specified therein at indeterminate prices. The Company has not issued any securities to date under this universal shelf registration statement.

In addition, we have an acquisition shelf registration statement, which was filed with the SEC on February 27, 2015, to permit the offering from time to time of an aggregate of $500,000 of our common stock and shares of preferred stock in connection with acquisitions. During 2016, we issued 439,943 shares of common stock totaling $12,845 to acquire a water system. The balance remaining available for use under the acquisition shelf registration as of December 31, 2018 is $487,155.

We will determine the form and terms of any securities issued under the universal shelf registration statement and the acquisition shelf registration statement at the time of issuance.

We offer a Dividend Reinvestment and Direct Stock Purchase Plan (the "Plan") that provides a convenient and economical way to purchase shares of the Company. Under the direct stock purchase portion of the Plan, shares are issued throughout the year. The dividend reinvestment portion of the Plan offers a five percent discount on the purchase of shares of common stock with reinvested dividends. As of the December 2018 dividend payment, holders of 9.4% of the common shares outstanding participated in the dividend reinvestment portion of the Plan. The shares issued under the Plan are either original issue shares or shares purchased by the Company's transfer agent in the open-market. During the past five years, we have sold 277,099 original issue shares of common stock for net proceeds of $8,681 through the dividend reinvestment portion of the Plan, and we used the proceeds to invest in our operating subsidiaries, to repay short-term debt, and for general corporate purposes. In 2018, 2017, and 2016, 321,585, 447,753, and 484,645 shares of common stock were purchased under the dividend reinvestment portion of the Plan by the Company's transfer agent in the open-market for $11,343, $15,168, and $14,916, respectively.

The Company's Board of Directors had authorized us to repurchase our common stock, from time to time, in the open market or through privately negotiated transactions. In 2014, we repurchased 560,000 shares of our common stock in the open market for $13,280. In December 2014, the Company's Board of Directors

authorized a share buyback program of up to 1,000,000 shares to minimize share dilution through timely and orderly share repurchases. In December 2015, the Company's Board of Directors added 400,000 shares to this program. In 2015, we repurchased 805,000 shares of our common stock in the open market for $20,502. In 2016, we did not repurchase any shares of our common stock in the open market under this program. This program expired on December 31, 2016.

Off-Balance Sheet Financing Arrangements

We do not engage in any off-balance sheet financing arrangements. We do not have any interest in entities referred to as variable interest entities, which includes special purpose entities and other structured finance entities. For risk management purposes, the Company uses interest rate swap agreements. Refer to *Note 10 – Long-term Debt and Loans Payable* for further information regarding these agreements.

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Contractual Obligations

The following table summarizes our contractual cash obligations as of December 31, 2018:

		Payments Due By Period			
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
Long-term debt	$ 2,563,660	$ 144,545	$ 131,319	$ 423,010	$ 1,864,786
Interest on fixed-rate, long-term debt (1)	1,305,866	84,428	138,371	126,252	956,815
Operating leases (2)	23,584	2,224	3,123	2,067	16,170
Unconditional purchase obligations (3)	32,191	5,506	9,811	8,802	8,072
Other purchase obligations (4)	140,634	140,634	-	-	-
Pension plan obligation (5)	8,222	8,222	-	-	-
Other obligations (6)	10,824	1,006	2,074	2,147	5,597
Total	$ 4,084,981	$ 386,565	$ 284,698	$ 562,278	$ 2,851,440

(1) Represents interest payable on fixed rate, long-term debt. Amounts reported may differ from actual due to future refinancing of debt.

(2) Represents operating leases that are noncancelable, before expiration, for the lease of motor vehicles, buildings, land and other equipment.

(3) Represents our commitment to purchase minimum quantities of water as stipulated in agreements with other water purveyors. We use purchased water to supplement our water supply, particularly during periods of peak customer demand. Our actual purchases may exceed the minimum required levels.

(4) Represents an approximation of the open purchase orders for goods and services purchased in the ordinary course of business.

(5) Represents contributions to be made to pension plan.

(6) Represents expenditures estimated to be required under legal and binding contractual obligations.

In addition to these obligations, we pay refunds on customers' advances for construction over a specific period of time based on operating revenues related to developer-installed water mains or as new customers are connected to and take service from such mains. After all refunds are paid, any remaining balance is transferred to contributions in aid of construction. The refund amounts are not included in the above table because the refund amounts and timing are dependent upon several variables, including new customer connections, customer consumption levels and future rate increases, which cannot be accurately estimated. Portions of these refund amounts are payable annually through 2028 and amounts not paid by the contract expiration dates become non-refundable.

Additionally, excluded from the table above, are the Company's interest rate swap agreements to mitigate interest rate risk associated with an anticipated $850,000 of future debt issuances to fund a portion of the Peoples Gas Acquisition and refinance a portion of the Company's borrowings . The interest rate swaps will be settled upon issuance of the debt to be used to finance a portion of the purchase price of this acquisition.

The interest rate swap agreements do not qualify for hedge accounting and any changes in the fair value

of the swaps is included in our earnings. In 2018, we recognized a mark-to-market adjustment liability of $59,779 for our interest rate swap agreements.

Lastly, in addition to the obligations disclosed in the contractual obligations table above, we have uncertain tax positions of $17,792. Although we believe our tax positions comply with applicable law, we have made judgments as to the sustainability of each uncertain tax position based on its technical merits. Due to the uncertainty of future cash outflows, if any, associated with our uncertain tax positions, we are unable to make a reasonable estimate of the timing or amounts that may be paid. See Note 7 – *Income Taxes* in this Annual Report for further information on our uncertain tax positions.

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We will fund these contractual obligations with cash flows from operations and liquidity sources held by or available to us.

The Company is routinely involved in legal matters, including both asserted and unasserted legal claims, during the ordinary course of business. See Note 9 – *Commitments and Contingencies* in this Annual Report for a discussion of the Company's legal matters. It is not always possible for management to make a meaningful estimate of the potential loss or range of loss associated with such litigation. Also, unanticipated changes in circumstances and/or revisions to the assessed probability of the outcomes of legal matters could result in expenses being incurred in future periods as well as an increase in actual cash required to resolve the legal matter.

Capitalization

The following table summarizes our capitalization during the past five years:

December 31,	2018	2017	2016	2015	2014
Long-term debt (1)	56.1%	52.3%	50.8%	50.8%	49.4%
Aqua America stockholders' equity	43.9%	47.7%	49.2%	49.2%	50.6%
	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Includes current portion, as well as our borrowings under a variable rate revolving credit agreement of $370,000 at December 31, 2018, $60,000 at December 31, 2017, $25,000 at December 31, 2016, $60,000 at December 31, 2015, and $72,000 at December 31, 2014.

Over the past five years, the changes in the capitalization ratios primarily resulted from the issuance of debt to finance our acquisitions and capital program, changes in net income, the issuance of common stock, and the declaration of dividends.

INCOME TAX MATTERS

Tax Cuts and Jobs Act of 2017

On December 22, 2017, President Trump signed the TCJA into law. Substantially all of the provisions of the TCJA are effective for tax years beginning after December 31, 2017, except as noted below. The TCJA includes significant changes to the Code and the taxation of business entities, and includes specific provisions related to regulated public utilities. Significant changes include a reduction in the corporate federal income tax rate from 35% to 21%, and a limitation on the utilization of NOLs arising after December 31, 2017 to 80% of taxable income with an indefinite carryforward. The specific provisions related to regulated public utilities in the TCJA generally allow for the continued deductibility of interest expense, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017 and the continuation of certain rate normalization requirements for accelerated depreciation benefits. Our market-based companies still qualify for 100% deductibility of qualifying property acquired after September 27, 2017.

The Company's regulated operations accounting for income taxes are impacted by the FASB's accounting guidance for regulated operations. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rates to 21% under the provisions of the TCJA results in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. The TCJA includes provisions that stipulate how these excess

deferred taxes are to be passed back to customers for certain accelerated tax depreciation benefits. Potential refunds of other deferred taxes will be determined by our state regulators. The Company has reserved $4,593 for amounts expected to be refundable to utility customers. In 2018, Illinois, Virginia, Texas, New Jersey, and two operating divisions in Ohio which operate under locally-negotiated contractual rates with their respective counties, the Company's base rates have been adjusted or surcredits have been added to customer bills to reflect the lower corporate income tax rate. In North Carolina, Indiana, and our regulated operations in Ohio, no surcredits have been added to customer bills to reflect the lower corporate income tax rate in 2018. These adjustments will be reflected in customer bills beginning January 1, 2019. In Pennsylvania, no procedural order has been received in 2018 but is expected to be received in 2019. In addition, through a reduction in base rates or surcredits, the Company has refunded approximately $9,600 to utility customers during 2018. The December 31, 2017 consolidated balance sheet reflects the impact of the TCJA on our regulatory assets and liabilities, which reduced our regulatory assets by $357,262 and increased our regulatory liabilities by $303,320. These adjustments had no impact on our 2017 cash flows.

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As of December 31, 2017, resulting from the TCJA enactment, our deferred income tax assets and liabilities were revalued based upon the new corporate income tax rate of 21%. The revaluation of our deferred income tax assets and liabilities resulted in the recognition of additional income tax expense of $3,141 in 2017 to the extent revalued deferred income taxes are not believed to be recoverable in utility customer rates.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial condition and results of operations are impacted by the methods, assumptions, and estimates used in the application of critical accounting policies. The following accounting policies are particularly important to our financial condition or results of operations and require estimates or other judgments of matters of uncertainty. Changes in the estimates or other judgments included within these accounting policies could result in a significant change to the financial statements. We believe our most critical accounting policies include revenue recognition, the use of regulatory assets and liabilities, the valuation of our long-lived assets (which consist primarily of utility plant in service, regulatory assets, and goodwill) our accounting for post-retirement benefits, and our accounting for income taxes. We have discussed the selection and development of our critical accounting policies and estimates with the Audit Committee of the Board of Directors.

Revenue Recognition ― Our utility revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. The estimated usage is based on our judgment and assumptions; our actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to our estimates is determined.
In Virginia, we commence the billing of our utility customers, under new rates, upon authorization from the respective utility commission and before the final commission rate order is issued. The revenue recognized reflects an estimate based on our judgment of the final outcome of the commission's ruling. We monitor the applicable facts and circumstances regularly and revise the estimate as required. The revenue billed and collected prior to the final ruling is subject to refund based on the commission's final ruling.

Regulatory Assets and Liabilities ― We defer costs and credits on the balance sheet as regulatory assets and liabilities when it is probable that these costs and credits will be recognized in the rate-making process in a period different from when the costs and credits were incurred. These deferred amounts, both assets and liabilities, are then recognized in the income statement in the same period that they are reflected in our rates charged for water or wastewater service. In the event that our assessment as to the probability of the inclusion in the rate-making process is incorrect, the associated regulatory asset or liability would be adjusted to reflect the change in our assessment or change in regulatory approval.

Valuation of Long-Lived Assets, Goodwill and Intangible Assets ― We review our long-lived assets for impairment, including utility plant in service and investment in joint venture. We also review regulatory assets for the continued application of the Financial Accounting Standards Board's ("FASB") accounting guidance for regulated operations. Our review determines whether there have been changes in circumstances or events, such as regulatory disallowances, or abandonments, that have occurred that require adjustments to the carrying value of these assets. Adjustments to the carrying value of these assets would be made in instances where their inclusion in the rate-making process is unlikely. For utility plant in service, we would recognize an impairment loss for any amount disallowed by the respective utility commission. For our equity method investment in joint venture, the Company evaluates whether it has experienced a decline in the value of its investment that is other than temporary in nature. We would recognize an impairment loss if the fair value of our investment is less than the carrying amount of the investment, and the decline in value is considered other than temporary. Additionally, the Company would recognize its share of an impairment loss if the joint venture determines that the carrying amount of the joint venture's assets exceeds the sum of the joint venture's undiscounted estimated cash flows.

Our long-lived assets, which consist primarily of utility plant in service, regulatory assets and investment in

joint venture, are reviewed for impairment when changes in circumstances or events occur. These circumstances or events could include a decline in the market value or physical condition of a long-lived asset, an adverse change in the manner in which long-lived assets are used or planned to be used, a change in historical trends, operating cash flows associated with the long-lived assets, changes in macroeconomic conditions, industry and market conditions, or overall financial performance. When these circumstances or events occur, we determine whether it is more likely than not that the fair value of those assets is less than their carrying amount. If we determine that it is more likely than not (that is, the likelihood of more than 50 percent), we would recognize an impairment charge if it is determined that the carrying amount of an asset exceeds the sum of the undiscounted estimated cash flows. In this circumstance, we would recognize an impairment charge equal to the difference between the carrying amount and the fair value of the asset. Fair value is estimated to be the present value of future net cash flows associated with the asset, discounted using a discount rate commensurate with the risk and remaining life of the asset. This assessment requires significant management judgment and estimates that are

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based on budgets, general strategic business plans, historical trends and other data and relevant factors. These estimates include significant inherent uncertainties, since they involve forecasting future events. If changes in circumstances or events occur, or estimates and assumptions that were used in this review are changed, we may be required to record an impairment charge on our long-lived assets.

We have an investment in a joint venture, for which we own 49%, and use the equity method of accounting to account for this joint venture. The joint venture operates a private pipeline system to supply raw water to natural gas well drilling operations in the Marcellus Shale in north central Pennsylvania. Refer to Note 1 – *Summary of Significant Accounting Policies – Property, Plant and Equipment and Depreciation,* and *Investment in Joint Venture* in this Annual Report for additional information regarding the review of long-lived assets for impairment.

We test the goodwill attributable for each of our reporting units for impairment at least annually on July 31, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors, including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and entity specific events, for some or all of our reporting units to determine whether it's more likely than not that the fair value of a reporting unit is less than its carrying amount. Alternatively, based on our assessment of the qualitative factors previously noted, we may perform a quantitative goodwill impairment test by determining the fair value of a reporting unit based on a discounted cash flow analysis. If we perform a quantitative test and determine that the fair value of a reporting unit is less than its carrying amount, we would record an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. The assessment requires significant management judgment and estimates that are based on budgets, general strategic business plans, historical trends and other data and relevant factors. If changes in circumstances or events occur, or estimates and assumptions that were used in our impairment test change, we may be required to record an impairment charge for goodwill. Refer to Note 1 – *Summary of Significant Accounting Policies – Goodwill* in this Annual Report for information regarding the results of our annual impairment test.

Accounting for Post-Retirement Benefits — We maintain a qualified and a non-qualified defined benefit pension plan and plans that provide for post-retirement benefits other than pensions. Accounting for pension and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by our employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from our actuarial consultant, who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefits expense that we recognize.

Our discount rate assumption, which is used to calculate the present value of the projected benefit payments of our post-retirement benefits, was determined by selecting a hypothetical portfolio of high quality corporate bonds appropriate to match the projected benefit payments of the plans. The selected bond portfolio was derived from a universe of Aa-graded corporate bonds, all of which were noncallable (or callable with make-whole provisions) and have at least $50,000 in outstanding value. The discount rate was then developed as the rate that equates the market value of the bonds purchased to the discounted value of the projected benefit payments of the plans. A decrease in the discount rate would increase our post-retirement benefits expense and benefit obligation. After reviewing the hypothetical portfolio of bonds, we selected a discount rate of 4.30% for our pension plan and 4.34% for our other post-retirement

benefit plans as of December 31, 2018, which represent a 64 and 61 basis-point increase as compared to the discount rates selected at December 31, 2017, respectively. Our post-retirement benefits expense under these plans is determined using the discount rate as of the beginning of the year, which was 3.66% for our pension plan and 3.73% for our other-postretirement benefit plans for 2018, and will be 4.30% for our pension plan and 4.34% for our other post-retirement benefit plans for 2019.

Our expected return on plan assets is determined by evaluating the asset class return expectations with our advisors as well as actual, long-term, historical results of our asset returns. The Company's market-related value of plan assets is equal to the fair value of the plans' assets as of the last day of its fiscal year and is a determinant for the expected return on plan assets, which is a component of post-retirement benefits expense. The allocation of our plans' assets impacts our expected return on plan assets. The expected return on plan assets is based on a targeted allocation of 50% to 70% return seeking assets and 30% to 50% liability hedging assets. Our post-retirement benefits expense increases as the expected return on plan assets decreases. We believe that our actual long-term asset allocations on average will approximate our

targeted allocations. Our targeted allocations are driven by our investment strategy to earn a reasonable rate of return while maintaining risk at acceptable levels through the diversification of investments across and within various asset categories. For 2018, we used a 6.75% expected return on plan assets assumption which will decrease to 6.50% for 2019.

Funding requirements for qualified defined benefit pension plans are determined by government regulations and not by accounting pronouncements. In accordance with funding rules and our funding policy, during 2019 our pension contribution is expected to be $8,222. Future years' contributions will be subject to economic conditions, plan participant data and the funding rules in effect at such time as the funding calculations are performed, though we expect future changes in the amount of contributions and expense recognized to be generally included in customer rates.

Accounting for Income Taxes — We estimate the amount of income tax payable or refundable for the current year and the deferred income tax liabilities and assets that results from estimating temporary differences resulting from the treatment of specific items, such as depreciation, for tax and financial statement reporting. Generally, these differences result in the recognition of a deferred tax asset or liability on our consolidated balance sheet and require us to make judgments regarding the probability of the ultimate tax impact of the various transactions we enter into. Based on these judgments, we may record tax reserves or adjustments to valuation allowances on deferred tax assets to reflect the expected realization of future tax benefits. Actual income taxes could vary from these estimates and changes in these estimates can increase income tax expense in the period that these changes in estimates occur.

Our determination of what qualifies as a capital cost versus a tax deduction, for qualifying utility asset improvements, as it relates to our income tax accounting method change beginning in 2012, is subject to subsequent adjustment as well as IRS audits, changes in income tax laws, including regulations regarding tax-basis depreciation as it applies to our capital expenditures, or qualifying utility asset improvements, the expiration of a statute of limitations, or other unforeseen matters could impact the tax benefits that have already been recognized. We establish reserves for uncertain tax positions based upon management's judgment as to the sustainability of these positions. These accounting estimates related to the uncertain tax position reserve require judgments to be made as to the sustainability of each uncertain tax position based on its technical merits. We believe our tax positions comply with applicable law and that we have adequately recorded reserves as required. However, to the extent the final tax outcome of these matters is different than our estimates recorded, we would then need to adjust our tax reserves which could result in additional income tax expense or benefits in the period that this information is known.

IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

We describe the impact of recent accounting pronouncements in Note 1 – *Summary of Significant Accounting Policies* in this Annual Report.

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Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

We are subject to market risks in the normal course of business, including changes in interest rates and equity prices. The exposure to changes in interest rates is a result of financings through the issuance of fixed rate long-term debt. Such exposure is typically related to financings between utility rate increases, since generally our rate increases include a revenue level to allow recovery of our current cost of capital. Interest rate risk is managed through the use of a combination of long-term debt, which is at fixed interest rates; short-term debt, which is at floating interest rates; and interest rate swap agreements. As of December 31, 2018, the debt maturities by period, in thousands of dollars, and the weighted average interest rate for long-term debt are as follows:

	2019	2020	2021	2022	2023	Thereafter	Total	Fair Value
Long-term debt:								
Fixed rate	$144,545	$92,758	$38,561	$25,210	$ 27,800	$1,864,786	$2,193,660	$ 2,218,086
Variable rate	-	-	-	-	370,000	-	370,000	370,000
Total	$144,545	$92,758	$38,561	$25,210	$397,800	$1,864,786	$2,563,660	$ 2,588,086
Weighted average interest rate*	4.09%	4.13%	5.56%	4.95%	3.82%	4.29%		

*Weighted average interest rate of 2023 long-term debt maturity is as follows: fixed rate debt of 4.89% and variable rate debt of 3.74%.

From time to time, we make investments in marketable equity securities. As a result, we are exposed to the risk of changes in equity prices for the marketable equity securities. As of December 31, 2018, we have assets of, in thousands of dollars, $20,388 to fund our deferred compensation and non-qualified pension plan liabilities. The market risk of the deferred compensation plan assets are borne by the participants in the deferred compensation plan.

In October 2018, the Company entered into interest rate swap agreements to mitigate interest rate risk associated with our future debt issuances to fund a portion of the Peoples Gas Acquisition. The interest rate swaps will be settled upon issuance of the debt to be used to finance a portion of the purchase price of this acquisition. The interest rate swap agreements do not qualify for hedge accounting and any changes in the fair value of the swaps is included in our future earnings. The interest rate swap agreements are classified as financial derivatives used for non-trading activities. Other than the interest rate swap, the Company has no other derivative instruments.

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Item 8. *Financial Statements and Supplementary Data*

Index to Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Aqua America, Inc.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets and statements of capitalization of Aqua America, Inc. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of net income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and schedule of condensed parent company financial statements (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control

over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
February 26, 2019

We have served as the Company's auditor since 2000.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands of dollars, except per share amounts)

	December 31,	
	2018	2017
Assets		
Property, plant and equipment, at cost	$ 7,648,469	$ 7,003,993
Less: accumulated depreciation	1,718,143	1,604,133
Net property, plant and equipment	5,930,326	5,399,860
Current assets:		
Cash and cash equivalents	3,627	4,204
Accounts receivable and unbilled revenues, net	101,225	98,596
Inventory, materials and supplies	15,844	14,361
Prepayments and other current assets	23,337	12,542
Assets held for sale	3,139	1,543
Total current assets	147,172	131,246
Regulatory assets	788,076	713,971
Deferred charges and other assets, net	39,237	38,485
Investment in joint venture	6,959	6,671
Goodwill	52,726	42,230
Total assets	$ 6,964,496	$ 6,332,463
Liabilities and Equity		
Aqua America stockholders' equity:		
Common stock at $.50 par value, authorized 300,000,000 shares, issued 181,151,827 and 180,700,251 in 2018 and 2017	$ 90,576	$ 90,350
Capital in excess of par value	820,378	807,135
Retained earnings	1,174,245	1,132,556
Treasury stock, at cost, 3,060,206 and 2,986,308 shares in 2018 and 2017	(75,835)	(73,280)
Accumulated other comprehensive income	-	860
Total stockholders' equity	2,009,364	1,957,621
Long-term debt, excluding current portion	2,419,115	2,029,358
Less: debt issuance costs	20,651	21,605
Long-term debt, excluding current portion, net of debt issuance costs	2,398,464	2,007,753
Commitments and contingencies (See Note 9)		
Current liabilities:		
Current portion of long-term debt	144,545	113,769
Loans payable	15,449	3,650
Accounts payable	77,331	59,165
Book overdraft	8,950	21,629
Accrued interest	23,300	21,359
Accrued taxes	22,234	23,764
Interest rate swap agreements	59,779	-
Other accrued liabilities	47,389	41,152
Total current liabilities	398,977	284,488
Deferred credits and other liabilities:		
Deferred income taxes and investment tax credits	845,403	769,073
Customers' advances for construction	93,343	93,186
Regulatory liabilities	531,027	541,910
Other	97,182	107,341
Total deferred credits and other liabilities	1,566,955	1,511,510
Contributions in aid of construction	590,736	571,091
Total liabilities and equity	$ 6,964,496	$ 6,332,463

See accompanying notes to consolidated financial statements.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME

(In thousands , except per share amounts)

	Years ended December 31,		
	2018	2017	2016
Operating revenues	$ 838,091	$ 809,525	$ 819,875
Operating expenses:			
Operations and maintenance	308,478	282,253	297,184
Depreciation	146,032	136,302	130,987
Amortization	641	422	2,021
Taxes other than income taxes	59,762	56,628	56,385
Total operating expenses	514,913	475,605	486,577
Operating income	323,178	333,920	333,298
Other expense (income):			
Interest expense, net	98,902	88,341	80,594
Allowance for funds used during construction	(13,023)	(15,211)	(8,815)
Change in fair value of interest rate swap agreements	59,779	-	-
Gain on sale of other assets	(714)	(484)	(378)
Equity earnings in joint venture	(2,081)	(331)	(976)
Other	1,996	4,953	7,713
Income before income taxes	178,319	256,652	255,160
Provision for income taxes (benefit)	(13,669)	16,914	20,978
Net income	$ 191,988	$ 239,738	$ 234,182
Net income per common share:			
Basic	$ 1.08	$ 1.35	$ 1.32
Diluted	$ 1.08	$ 1.35	$ 1.32
Average common shares outstanding during the period:			
Basic	177,904	177,612	177,273
Diluted	178,399	178,175	177,846

See accompanying notes to consolidated financial statements.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands of dollars)

	Years ended December 31,		
	2018	2017	2016
Net income	$191,988	$239,738	$234,182
Other comprehensive income, net of tax:			
Unrealized holding gain on investments, net of tax expense of $102, and $21 for the years ended December 31, 2017, and 2016, respectively	-	191	39
Reclassification of gain on sale of investment to net income, net of tax expense of $30 (1)	-	-	(57)
Comprehensive income	$191,988	$239,929	$234,164

See accompanying notes to consolidated financial statements.

Refer to *Note 1 – Summary of Significant Accounting Policies – Recent Accounting Pronouncements* for information on our adoption on January 1, 2018, of the FASB's updated accounting guidance on the recognition and measurement of financial assets and financial liabilities, which results in the changes in fair value of certain equity investments measured at fair value being recognized in net income.

(1) Amount of pre-tax gain of $87 reclassified from accumulated other comprehensive income to gain on sale of other assets on the consolidated statement of net income.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CAPITALIZATION

(In thousands of dollars, except per share amounts)

		December 31,	
		2018	2017
Aqua America stockholders' equity:			
Common stock, $.50 par value		$ 90,576	$ 90,350
Capital in excess of par value		820,378	807,135
Retained earnings		1,174,245	1,132,556
Treasury stock, at cost		(75,835)	(73,280)
Accumulated other comprehensive income		-	860
Total stockholders' equity		2,009,364	1,957,621
Long-term debt of subsidiaries (substantially collateralized by utility plant):			
Interest Rate Range	Maturity Date Range		
0.00% to 0.99%	2023 to 2033	3,732	4,196
1.00% to 1.99%	2019 to 2035	11,588	12,914
2.00% to 2.99%	2019 to 2033	17,488	19,254
3.00% to 3.99%	2019 to 2056	497,426	475,232
4.00% to 4.99%	2020 to 2057	831,066	631,599
5.00% to 5.99%	2019 to 2043	154,788	205,578
6.00% to 6.99%	2026 to 2036	31,000	44,000
7.00% to 7.99%	2022 to 2027	31,564	32,335
8.00% to 8.99%	2021 to 2025	5,581	6,092
9.00% to 9.99%	2020 to 2026	20,000	25,700
10.00% to 10.99%	-	-	6,000
		1,604,233	1,462,900
Notes payable to bank under revolving credit agreement, variable rate, due 2023		370,000	60,000
Unsecured notes payable:			
Bank notes at 2.48% and 3.50% due 2019 and 2020		100,000	100,000
Notes ranging from 3.01% to 3.59%, due 2027 through 2041		245,000	245,000
Notes ranging from 4.62% to 4.87%, due 2019 through 2024		112,000	122,800
Notes ranging from 5.20% to 5.95%, due 2020 through 2037		132,427	152,427
Total long-term debt		2,563,660	2,143,127
Current portion of long-term debt		144,545	113,769
Long-term debt, excluding current portion		2,419,115	2,029,358
Less: debt issuance costs		20,651	21,605
Long-term debt, excluding current portion, net of debt issuance costs		2,398,464	2,007,753
Total capitalization		$ 4,407,828	$ 3,965,374

See accompanying notes to consolidated financial statements.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY

(In thousands of dollars, except per share amounts)

	Common stock	Capital in excess of par value	Retained earnings	Treasury stock	Accumulated Other Comprehensive Income	Total
Balance at December 31, 2015	$ 89,682	$ 773,585	$ 930,061	$ (68,085)	$ 687	$ 1,725,930
Net income	-	-	234,182	-	-	234,182
Other comprehensive loss, net of income tax benefit of $9	-	-	-	-	(18)	(18)
Dividends declared ($0.7386 per share)	-	-	(130,923)	-	-	(130,923)
Stock issued for acquisition (439,943 shares)	220	12,625	-	-	-	12,845
Issuance of common stock under dividend reinvestment plan (47,478 shares)	24	1,364	-		-	1,388
Repurchase of stock (97,400 shares)	-	-	-	(3,028)	-	(3,028)
Equity compensation plan (231,502 shares)	115	(115)	-	-	-	-
Exercise of stock options (228,762 shares)	114	4,146	-	-	-	4,260
Stock-based compensation	-	5,390	(476)	-	-	4,914
Employee stock plan tax benefits	-	1,329	-	-	-	1,329
Other	-	(811)	-	-	-	(811)
Balance at December 31, 2016	90,155	797,513	1,032,844	(71,113)	669	1,850,068
Net income	-	-	239,738	-	-	239,738
Other comprehensive income, net of income tax of $102	-	-	-	-	191	191
Dividends declared ($0.7920 per share)	-	-	(140,660)	-	-	(140,660)
Issuance of common stock under dividend reinvestment plan (45,121 shares)	23	1,430	-	-	-	1,453
Repurchase of stock (69,339 shares)	-	-	-	(2,167)	-	(2,167)
Equity compensation plan (169,258 shares)	85	(85)	-	-	-	-
Exercise of stock options (174,527 shares)	87	2,786	-	-	-	2,873
Stock-based compensation	-	6,342	(348)	-	-	5,994
Cumulative effect of change in accounting principle - windfall tax benefit	-	-	982	-	-	982
Other	-	(851)	-	-	-	(851)
Balance at December 31, 2017	90,350	807,135	1,132,556	(73,280)	860	1,957,621
Net income	-	-	191,988	-	-	191,988
Dividends declared ($0.8474 per share)	-	-	(150,736)	-	-	(150,736)
Issuance of common stock under dividend reinvestment plan (158,205 shares)	79	5,084	-	-	-	5,163
Repurchase of stock (73,898 shares)	-	-	-	(2,555)	-	(2,555)
Equity compensation plan (201,563 shares)	101	(101)	-	-	-	-
Exercise of stock options (91,808 shares)	46	1,413	-	-	-	1,459
Stock-based compensation	-	7,567	(423)	-	-	7,144
Cumulative effect of change in accounting principle - financial instruments	-	-	860	-	(860)	-
Other	-	(720)	-	-	-	(720)
Balance at December 31, 2018	$ 90,576	$ 820,378	$ 1,174,245	$ (75,835)	$ -	$ 2,009,364

See accompanying notes to consolidated financial statements.

Refer to *Note 1 – Summary of Significant Accounting Policies – Recent Accounting Pronouncements* for

information on our adoption on January 1, 2018, of the FASB's updated accounting guidance on the recognition and measurement of financial assets and financial liabilities.

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AQUA AMERICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of dollars)

	Years ended December 31,		
	2018	2017	2016
Cash flows from operating activities:			
Net income	$ 191,988	$ 239,738	$ 234,182
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	146,673	136,724	133,008
Deferred income taxes	(14,950)	13,780	17,250
Provision for doubtful accounts	5,305	4,986	5,505
Stock-based compensation	7,567	6,342	5,390
Loss (gain) on sale of utility system and market-based business unit	-	774	(744)
Gain on sale of other assets	(714)	(484)	(378)
Interest rate swap agreements	59,779	-	-
Net change in receivables, inventory and prepayments	(18,024)	(6,458)	(3,974)
Net change in payables, accrued interest, accrued taxes and other accrued liabilities	567	(763)	4,756
Pension and other postretirement benefits contributions	(14,216)	(16,240)	(9,505)
Other	4,547	2,919	10,673
Net cash flows from operating activities	368,522	381,318	396,163
Cash flows from investing activities:			
Property, plant and equipment additions, including the debt component of allowance for funds used during construction of $3,332, $3,578, and $2,220	(495,737)	(478,089)	(382,996)
Acquisitions of utility systems and other, net	(145,693)	(5,860)	(9,423)
Net proceeds from the sale of utility systems and other assets	716	1,342	7,746
Other	899	2,223	1,464
Net cash flows used in investing activities	(639,815)	(480,384)	(383,209)
Cash flows from financing activities:			
Customers' advances and contributions in aid of construction	7,458	7,312	7,263
Repayments of customers' advances	(6,217)	(6,536)	(3,763)
Net proceeds (repayments) of short-term debt	11,799	(2,885)	(10,186)
Proceeds from long-term debt	1,331,868	591,024	503,586
Repayments of long-term debt	(914,125)	(359,068)	(373,087)
Change in cash overdraft position	(12,678)	9,012	(8,076)
Proceeds from issuing common stock	5,163	1,453	1,388
Proceeds from exercised stock options	1,459	2,873	4,260
Share-based compensation windfall tax benefits	-	-	1,332
Repurchase of common stock	(2,555)	(2,167)	(3,028)
Dividends paid on common stock	(150,736)	(140,660)	(130,923)
Other	(720)	(851)	(1,186)
Net cash flows from (used in) financing activities	270,716	99,507	(12,420)
Net (decrease) increase in cash and cash equivalents	(577)	441	534
Cash and cash equivalents at beginning of year	4,204	3,763	3,229
Cash and cash equivalents at end of year	$ 3,627	$ 4,204	$ 3,763
Cash paid during the year for:			
Interest, net of amounts capitalized	$ 93,630	$ 81,771	$ 72,662
Income taxes	2,103	3,177	2,739
Non-cash investing activities:			
Property, plant and equipment additions purchased at the period end, but not yet paid	$ 65,285	$ 45,385	$ 35,145
Non-cash customer advances for construction	24,660	39,220	26,234

See accompanying notes to consolidated financial statements.

Refer to Note 2 – *Acquisitions*, Note 10 – *Long-term Debt and Loans Payable*, and Note 14 – *Employee Stock and Incentive Plan* for a description of non-cash activities.

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AQUA AMERICA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In thousands of dollars, except per share amounts)

Note 1 – *Summary of Significant Accounting Policies*

Nature of Operations ─ Aqua America, Inc. ("Aqua America," the "Company," "we," "our", or "us") is the holding company for regulated utilities providing water or wastewater services concentrated in Pennsylvania, Ohio, Texas, Illinois, North Carolina, New Jersey, Indiana, and Virginia. Our largest operating subsidiary is Aqua Pennsylvania, Inc., which accounted for approximately 53% of our operating revenues and approximately 71% of our Regulated segment's income for 2018. As of December 31, 2018, Aqua Pennsylvania provided water or wastewater services to approximately one-half of the total number of people we serve. Aqua Pennsylvania's service territory is located in the suburban areas north and west of the City of Philadelphia and in 27 other counties in Pennsylvania. The Company's other regulated utility subsidiaries provide similar services in seven other states. In addition, the Company's market-based activities are conducted through Aqua Infrastructure LLC and Aqua Resources, Inc. Aqua Infrastructure provides non-utility raw water supply services for firms in the natural gas drilling industry. Aqua Resources provides water services through operating and maintenance contracts with a municipal authority and another party close to our utility companies' service territory; and offers, through a third-party, water and sewer line protection solutions and repair services to households. In 2017, we completed the sale of business units that were reported within the Company's market-based subsidiary, Aqua Resources, one which installed and tested devices that prevent the contamination of potable water and another that constructed, maintained, and repaired water and wastewater systems. During 2016 we completed the sale of business units within Aqua Resources, which were reported as assets held for sale in the Company's consolidated balance sheets, which provided liquid waste hauling and disposal services, and inspection, and cleaning and repair of storm and sanitary wastewater lines.

The Company has identified ten operating segments and has one reportable segment named the Regulated segment. The reportable segment is comprised of eight operating segments for our water and wastewater regulated utility companies which are organized by the states where we provide these services. These operating segments are aggregated into one reportable segment since each of the Company's operating segments has the following similarities: economic characteristics, nature of services, production processes, customers, water distribution or wastewater collection methods, and the nature of the regulatory environment. In addition, Aqua Resources and Aqua Infrastructure are not quantitatively significant to be reportable and are included as a component of "Other," in addition to corporate costs that have not been allocated to the Regulated segment, because they would not be recoverable as a cost of utility service, and intersegment eliminations.

Regulation ─ Most of the operating companies that are regulated public utilities are subject to regulation by the utility commissions of the states in which they operate. The respective utility commissions have jurisdiction with respect to rates, service, accounting procedures, issuance of securities, acquisitions and other matters. Some of the operating companies that are regulated public utilities are subject to rate regulation by county or city government. Regulated public utilities follow the Financial Accounting Standards Board's ("FASB") accounting guidance for regulated operations, which provides for the recognition of regulatory assets and liabilities as allowed by regulators for costs or credits that are reflected in current rates or are considered probable of being included in future rates. The regulatory assets or liabilities are then relieved as the cost or credit is reflected in rates.

Use of Estimates in Preparation of Consolidated Financial Statements ─ The preparation of consolidated

financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation – The consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany accounts and transactions have been eliminated. Certain prior period amounts have been reclassified to conform to the current period presentation in the consolidated statements of net income as a result of the adoption, in 2018, of the Financial Accounting Standards Board's ("FASB") accounting guidance on the presentation of net periodic pension and postretirement benefit cost (refer to Note 1 – *Recent Accounting Pronouncements*).

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AQUA AMERICA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

Recognition of Revenues — The Company recognizes revenue as water and wastewater services are provided to our customers, which happens over time as the service is delivered and the performance obligation is satisfied. The Company's utility revenues recognized in an accounting period include amounts billed to customers on a cycle basis and unbilled amounts based on estimated usage from the last billing to the end of the accounting period. Unbilled amounts are calculated by deriving estimates based on average usage of the prior month. The Company's actual results could differ from these estimates, which would result in operating revenues being adjusted in the period that the revision to our estimates is determined. Unbilled amounts are included in accounts receivable and unbilled revenues, net on the consolidated balance sheet.

Generally, payment is due within 30 days once a bill is issued to a customer. Sales tax and other taxes we collect on behalf of government authorities, concurrent with our revenue-producing activities, are primarily excluded from revenue. The Company has determined that its revenue recognition is not materially different under the FASB's new accounting standard for revenue from contracts with customers. The Company's revenues are being reported identical in the consolidated statements of net income to how they were reported under the FASB's former accounting standard for revenue recognition. The following table presents our revenues disaggregated by major source and customer class:

	Year ended December 31,		
	2018		
	Water Revenues	Wastewater Revenues	Other Revenues
Revenues from contracts with customers:			
Residential	$ 482,946	$ 73,418	$ -
Commercial	133,753	13,147	-
Fire protection	32,236	-	-
Industrial	28,848	1,857	-
Other water	53,658	-	-
Other wastewater	-	5,748	-
Other utility	-	-	9,427
Revenues from contracts with customers	731,441	94,170	9,427
Alternative revenue program	(708)	308	-
Other and eliminations	-	-	3,453
Consolidated	$ 730,733	$ 94,478	$ 12,880

Revenues from Contracts with Customers – These revenues are composed of three main categories: water, wastewater, and other. Water revenues represent revenues earned for supplying customers with water service. Wastewater revenues represent revenues earned for treating wastewater and releasing it into the water supply. Other revenues are associated fees that relate to the regulated business but are not water and wastewater revenues. See description below for a discussion on the performance obligation for each of these revenue streams:

- Tariff Revenues – These revenues are categorized by customer class: residential, commercial, fire protection, industrial, and other water and other wastewater. The rates that generate these revenues are approved by the respective state utility commission, and revenues are billed cyclically and accrued for when unbilled. Other water and other wastewater revenues consist primarily of fines, penalties, surcharges, and availability lot fees. Our performance obligation for tariff revenues is to

provide potable water or wastewater treatment service to customers. This performance obligation is satisfied over time as the services are rendered. The amounts that the Company has a right to invoice for tariff revenues reflect the right to consideration from the customers in an amount that corresponds directly with the value transferred to the customer for the performance completed to date. The Company elected to use the right to invoice practical expedient for these revenues as the Company recognizes revenue in the amount for which the Company has the right to invoice the customer.

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- Other Utility Revenues – Other utility revenues represent revenues earned primarily from: antenna revenues, which represent fees received from telecommunication operators that have put cellular antennas on our water towers, operation and maintenance and billing contracts, which represent fees earned from municipalities for our operation of their water or wastewater treatment services or performing billing services, and fees earned from developers for accessing our water mains. The performance obligations vary for these revenues, but all are primarily recognized over time as the service is delivered.

- Alternative Revenue Program – These revenues represent the difference between the actual billed utility water and wastewater revenues for Aqua Illinois and the revenues set in the last Aqua Illinois rate case. We recognize revenues based on the target amount established in the last rate case, and then record either a regulatory asset or liability based on the cumulative annual difference between the target and actual, which results in either a refund due to customers or a payment from customers. The cumulative annual difference is either refunded to customers or collected from customers over a nine-month period. This revenue program represents a contract between the utility and its regulators, not customers, and therefore is not within the scope of the FASB's accounting guidance for recognizing revenue from contracts with customers.

- Other and Eliminations – Other and eliminations consist of our market-based revenues, which comprises: Aqua Infrastructure and Aqua Resources (described below), and intercompany eliminations for revenue billed between our subsidiaries. Aqua Infrastructure is the holding company for our 49% investment in a joint venture that operates a private pipeline system to supply raw water to natural gas well drilling operations in the Marcellus Shale of north central Pennsylvania. The joint venture earns revenues through providing non-utility raw water supply services to natural gas drilling companies which enter into water supply contracts. The performance obligation is to deliver non-potable water to the joint venture's customers. Aqua Infrastructure's share of the revenues recognized by the joint venture is reflected, net, in equity earnings in joint venture on our consolidated statements of net income. Aqua Resources earns revenues by providing non-regulated water and wastewater services through operating and maintenance contracts, and third-party water and sewer service line repair. The performance obligations are performing agreed upon services in the contract, most commonly operation of third-party water or wastewater treatment services, or billing services, or allowing the use of our logo to a third-party water and sewer service line repair. Revenues are primarily recognized over time as service is delivered. The Company's market-based subsidiaries recognized revenues of $3,590 in 2018, $4,798 in 2017, and $20,091 in 2016.

Property, Plant and Equipment and Depreciation — Property, plant and equipment consist primarily of utility plant. The cost of additions includes contracted cost, direct labor and fringe benefits, materials, overheads, and for additions meeting certain criteria, allowance for funds used during construction. Water and wastewater systems acquired are typically recorded at estimated original cost of utility plant when first devoted to utility service and the applicable depreciation is recorded to accumulated depreciation. Further, water and wastewater systems acquired under fair value regulations would be recorded based on the valuation of the utility plant. The difference between the estimated original cost, less applicable accumulated depreciation, and the purchase price is recorded as goodwill, or as an acquisition adjustment within utility plant as permitted by the applicable regulatory jurisdiction. At December 31, 2018, utility plant includes a net credit acquisition adjustment of $20,832, which is generally being amortized from 2 to 59 years. Amortization of the acquisition adjustments totaled $2,645 in 2018, $2,774 in 2017, and $2,223 in 2016.

Utility expenditures for maintenance and repairs, including major maintenance projects and minor renewals and betterments, are charged to operating expenses when incurred in accordance with the system of

accounts prescribed by the utility commissions of the states in which the company operates. The cost of new units of property and betterments are capitalized. Utility expenditures for water main cleaning and relining of pipes are deferred and recorded in net property, plant and equipment in accordance with the FASB's accounting guidance for regulated operations. As of December 31, 2018, $16,382 of these costs have been incurred since the last respective rate proceeding and the Company expects to recover these costs in future rates.

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The cost of software upgrades and enhancements are capitalized if they result in added functionality, which enables the software to perform tasks it was previously incapable of performing. Information technology costs associated with major system installations, conversions and improvements, such as software training, data conversion and business process reengineering costs, are deferred as a regulatory asset if the Company expects to recover these costs in future rates. If these costs are not deferred, then these costs are charged to operating expenses when incurred. As of December 31, 2018, $34,614 of these costs have been deferred since the last respective rate proceeding as a regulatory asset, and the deferral is reported as a component of net property, plant and equipment.

When units of utility property are replaced, retired or abandoned, the recorded value thereof is credited to the asset account and such value, together with the net cost of removal, is charged to accumulated depreciation. To the extent the Company anticipates recovery of the cost of removal or other retirement costs through rates after the retirement costs are incurred, a regulatory asset is recorded as those costs are incurred. In some cases, the Company recovers retirement costs through rates during the life of the associated asset and before the costs are incurred. These amounts, which are not yet utilized, result in a regulatory liability being reported based on the amounts previously recovered through customer rates.

The straight-line remaining life method is used to compute depreciation on utility plant. Generally, the straight-line method is used with respect to transportation and mechanical equipment, office equipment and laboratory equipment.

Long-lived assets of the Company, which consist primarily of utility plant in service, regulatory assets, and investment in joint venture, are reviewed for impairment when changes in circumstances or events occur. These circumstances or events could include a disallowance of utility plant in service or regulatory assets by the respective utility commission, a decline in the market value or physical condition of a long-lived asset, an adverse change in the manner in which long-lived assets are used or planned to be used, a change in historical trends, operating cash flows associated with the long-lived assets, changes in macroeconomic conditions, industry and market conditions, or overall financial performance. When these circumstances or events occur, the Company determines whether it is more likely than not that the fair value of those assets is less than their carrying amount. If the Company determines that it is more likely than not (that is, the likelihood of more than 50 percent), the Company would recognize an impairment charge if it is determined that the carrying amount of an asset exceeds the sum of the undiscounted estimated cash flows. In this circumstance, the Company would recognize an impairment charge equal to the difference between the carrying amount and the fair value of the asset. Fair value is estimated to be the present value of future net cash flows associated with the asset, discounted using a discount rate commensurate with the risk and remaining life of the asset. During the period there has been no change in circumstances or events that have occurred that require adjustments to the carrying values of the Company's long-lived assets.

Allowance for Funds Used During Construction — The allowance for funds used during construction ("AFUDC") represents the capitalized cost of funds used to finance the construction of utility plant. In general, AFUDC is applied to construction projects requiring more than one month to complete. No AFUDC is applied to projects funded by customer advances for construction, contributions in aid of construction, or applicable state-revolving fund loans. AFUDC includes the net cost of borrowed funds and a rate of return on other funds when used and is recovered through water rates as the utility plant is depreciated. The amount of AFUDC related to equity funds in 2018 was $9,691, 2017 was $11,633, and

2016 was $6,561. No interest was capitalized by our market-based businesses.

Cash and Cash Equivalents ─ The Company considers all highly liquid investments with an original maturity of three months or less, which are not restricted for construction activity, to be cash equivalents.

The Company had a book overdraft, which represents transactions that have not cleared the bank accounts at the end of the period, for specific disbursement cash accounts of $8,950 and $21,629 at December 31, 2018 and 2017, respectively. The Company transfers cash on an as-needed basis to fund these items as they clear the bank in subsequent periods. The balance of the book overdraft is reported as book overdraft and the change in the book overdraft balance is reported as cash flows from financing activities, due to our ability to fund the overdraft with the Company's credit facility.

Accounts Receivable ─ Accounts receivable are recorded at the invoiced amounts, which consists of billed and unbilled revenues. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in our existing accounts receivable and is determined based on historical write-off experience and the aging of account balances. The Company reviews the allowance for doubtful accounts quarterly. Account balances are written off against the allowance when it is probable the receivable will not be recovered. When utility customers request extended payment terms, credit is extended based on regulatory guidelines, and collateral is not required.

Inventories, Materials and Supplies ─ Inventories are stated at cost. Cost is determined using the first-in, first-out method.

Regulatory Assets, Deferred Charges and Other Assets ─ Deferred charges and other assets consist primarily of assets held to compensate employees in the future who participate in the Company's deferred compensation plan and other costs. Other costs, for which the Company has received or expects to receive prospective rate recovery, are deferred as a regulatory asset and amortized over the period of rate recovery in accordance with the FASB's accounting guidance for regulated operations. See Note – 6 *Regulatory Assets and Liabilities* for further information regarding the Company's regulatory assets.

Marketable equity securities are carried on the balance sheet at fair market value, and changes in fair value are included in other comprehensive income.

Investment in Joint Venture – The Company uses the equity method of accounting to account for our 49% investment in a joint venture with a firm in the natural gas industry for the construction and operation of a private pipeline system to supply raw water to natural gas well drilling operations in the Marcellus Shale in north-central Pennsylvania, which commenced operations in 2012. Our initial investment is carried at cost. Subsequently, the carrying amount of our investment is adjusted to reflect capital contributions or distributions, and our equity in earnings or losses since the commencement of the system's operations, as well as a decline in the fair value of our investment. Our share of equity earnings in the joint venture is reported in the consolidated statements of net income as equity earnings in joint venture. During 2018 and 2017 we received distributions of $1,793 and $686, respectively. For our equity method investment in joint venture, the Company evaluates whether it has experienced a decline in the value of its investment that is other than temporary in nature. We would recognize an impairment loss if the fair value of our investment is less than the carrying amount of the investment, and the decline in value is considered other than temporary. Additionally, the Company would recognize its share of an impairment loss if the joint venture determines that the carrying amount of the joint venture's assets exceeds the sum of the joint venture's undiscounted estimated cash flows.

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AQUA AMERICA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

Goodwill — Goodwill represents the excess cost over the fair value of net tangible and identifiable intangible assets acquired through acquisitions. Goodwill is not amortized but is tested for impairment annually, or more often, if circumstances indicate a possible impairment may exist. When testing goodwill for impairment, we may assess qualitative factors, including macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, and entity specific events, for some or all of our reporting units to determine whether it's more likely than not that the fair value of a reporting unit is less than its carrying amount. Alternatively, based on our assessment of the qualitative factors previously noted, we may perform a quantitative goodwill impairment test by determining the fair value of a reporting unit based on a discounted cash flow analysis. If we perform a quantitative test and determine that the fair value of a reporting unit is less than its carrying amount, we would record an impairment loss for the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. The Company performed a qualitative assessment for its annual test of the goodwill attributable for each of our reporting units for impairment as of July 31, 2018, and concluded that the estimated fair value of each reporting unit, which has goodwill recorded, exceeded the reporting unit's carrying amount, indicating that none of the Company's goodwill was impaired. The following table summarizes the changes in the Company's goodwill:

	Regulated Segment	Other	Consolidated
Balance at December 31, 2016	$ 37,367	$ 4,841	$ 42,208
Goodwill acquired	72	-	72
Reclassifications to utility plant acquisition adjustment	(50)	-	(50)
Balance at December 31, 2017	37,389	4,841	42,230
Goodwill acquired	10,790	-	10,790
Reclassifications to utility plant acquisition adjustment	(139)	-	(139)
Other	(155)	-	(155)
Balance at December 31, 2018	$ 47,885	$ 4,841	$ 52,726

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

Income Taxes — The Company accounts for some income and expense items in different time periods for financial and tax reporting purposes. Deferred income taxes are provided on specific temporary differences between the tax basis of the assets and liabilities, and the amounts at which they are carried in the consolidated financial statements. The income tax effect of temporary differences not currently recovered in rates is recorded as deferred taxes with an offsetting regulatory asset or liability. These deferred income taxes are based on the enacted tax rates expected to be in effect when such temporary differences are projected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized. Investment tax credits are deferred and amortized over the estimated useful lives of the related properties. Judgment is required in evaluating the Company's Federal and state tax positions. Despite management's belief that the Company's tax return positions are fully supportable, the Company establishes reserves when it believes that its tax positions are likely to be challenged and it may not fully prevail in these challenges. The Company's provision for income taxes

includes interest, penalties and reserves for uncertain tax positions.

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In 2012, the Company changed its tax method of accounting for qualifying utility asset improvement costs in Aqua Pennsylvania effective with the tax year ended December 31, 2012 and for prior tax years. The tax accounting method was changed to permit the expensing of qualifying utility asset improvement costs that were previously being capitalized and depreciated for book and tax purposes. This change was implemented in response to a June 2012 rate order issued by the Pennsylvania Public Utility Commission to Aqua Pennsylvania, which provides for a reduction in current income tax expense as a result of the recognition of income tax benefits for qualifying utility asset improvements. This change results in a significant reduction in the effective income tax rate, a reduction in current income tax expense, and reduces the amount of taxes currently payable. For qualifying capital expenditures made prior to 2012, the resulting tax benefits have been deferred as of December 31, 2012 and, in accordance with the rate order, a ten-year amortization of the income tax benefits, which reduces future income tax expense, commenced in 2013.

Customers' Advances for Construction and Contributions in Aid of Construction ― Water mains, other utility property or, in some instances, cash advances to reimburse the Company for its costs to construct water mains or other utility property, are contributed to the Company by customers, real estate developers and builders in order to extend utility service to their properties. The value of these contributions is recorded as customers' advances for construction. Over time, the amount of non-cash contributed property will vary based on the timing of the contribution of the non-cash property and the volume of non-cash contributed property received in connection with development in our service territories. The Company makes refunds on these advances over a specific period of time based on operating revenues related to the property, or as new customers are connected to and take service from the applicable water main. After all refunds are made, any remaining balance is transferred to contributions in aid of construction. Contributions in aid of construction include direct non-refundable contributions and the portion of customers' advances for construction that become non-refundable.

Based on regulatory conventions in states where the Company operates, generally our subsidiaries depreciate contributed property and amortize contributions in aid of construction at the composite rate of the related property. Contributions in aid of construction and customers' advances for construction are deducted from the Company's rate base for rate-making purposes, and therefore, no return is earned on contributed property.

Stock-Based Compensation ― The Company records compensation expense in the financial statements for stock-based awards based on the grant date fair value of those awards. Stock-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on either a straight-line basis, or the graded vesting method, which is generally commensurate with the vesting term.

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

- Level 1: unadjusted quoted prices in active markets for identical assets or liabilities that the

Company has the ability to access;

- Level 2: inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in non-active markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

- Level 3: inputs that are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, assets that are measured at fair value using the net asset value ("NAV") per share practical expedient are not classified in the fair value hierarchy. There have been no changes in the valuation techniques used to measure fair value or asset or liability transfers between the levels of the fair value hierarchy for the years ended December 31, 2018 and 2017.

Recent Accounting Pronouncements —

Pronouncements to be adopted upon the effective date:

In August 2018, the FASB issued updated accounting guidance on accounting for cloud computing arrangements. The updated guidance requires entities that are customers in cloud computing arrangements to defer implementation costs if they would be capitalized by the entity in software licensing arrangements under the internal-use software guidance. The guidance may be applied retrospectively or prospectively to implementation costs incurred after the date of adoption. The updated accounting guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

In August 2018, the FASB issued updated accounting guidance, which modifies the disclosures required for defined benefit pension and other postretirement benefit plans. The modifications in this update remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. The updated accounting guidance is effective for fiscal years ending after December 15, 2020, with early adoption available. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

In August 2018, the FASB issued updated accounting guidance, which modifies the disclosure requirements on fair value measurements. The modifications in this update eliminates, amends, and adds disclosure requirements for fair value measurements, which is expected to reduce costs for preparers while providing more decision-useful information for financial statement users. The updated accounting guidance is effective for fiscal years ending after December 15, 2019, with early adoption available. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

In June 2016, the FASB issued updated accounting guidance on accounting for impairments of financial instruments, including trade receivables, which requires companies to estimate expected credit losses on trade receivables over their contractual life. Historically, companies reserve for expected credit losses by applying historical loss percentages to respective aging categories. Under the updated accounting guidance, companies will use a forward-looking methodology that incorporates lifetime expected credit losses, which will result in an allowance for expected credit losses for receivables that are either current or not yet due, which historically have not been reserved for. The updated accounting guidance is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, with early adoption available. The Company is evaluating the requirements of the updated guidance to determine the impact of adoption.

In February 2016, the FASB issued updated accounting guidance on accounting for leases, which requires lessees to establish a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. For income statement purposes, leases will be classified as either operating or finance. Operating leases will result in straight-line expense while finance leases will result in a front-loaded expense pattern. The updated accounting guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption available. The Company is implementing a process to address the requirements of the updated guidance and as of January 1, 2019, anticipates recording, on the Company's consolidated balance sheet , a right-of-use asset and lease liability of approximately $13,700.

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Pronouncements adopted during the fiscal year:

In March 2017, the FASB issued updated accounting guidance on the presentation of net periodic pension and postretirement benefit cost (net benefit cost). Historically, net benefit cost is reported as an employee cost within operating income, net of amounts capitalized. The guidance requires the bifurcation of net benefit cost. The service cost component will be presented with other employee compensation costs in operating income and the other components of net benefit cost will be reported separately outside of operating income and will not be eligible for capitalization. On January 1, 2018, the Company adopted the updated guidance, which did not have a material impact on its results of operations or financial position, and resulted in the reclassification, for the years ended December 31, 2017 and 2016 of $4,953 and $7,713 respectively, for the other components of net benefit cost from operations and maintenance expense to other in the consolidated statements of net income. The updated guidance was applied retrospectively for the presentation of the service cost component and the other components of net periodic benefit costs, and on a prospective basis for the capitalization of only the service cost component of net benefit cost.

In January 2017, the FASB issued updated accounting guidance that provides a new framework for determining whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This update creates an initial screening test for which an entity would evaluate if substantially all the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set of assets is not considered a business; however, if the threshold is not met, the entity evaluates whether the set of assets meets the requirement that a business included, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The update also narrows the definition of outputs by more closely aligning it with how outputs are described in the new revenue guidance. On January 1, 2018, as required the Company adopted the updated guidance, which will cause us to assess if future acquisitions are businesses or assets under this guidance.

In January 2016, the FASB issued updated accounting guidance on the recognition and measurement of financial assets and financial liabilities, which amends certain aspects of recognition, measurement, presentation, and disclosure of financial instruments, including the requirement to measure certain equity investments at fair value with changes in fair value recognized in net income. The updated guidance is effective for interim and annual periods beginning after December 31, 2017. On January 1, 2018, the Company adopted the updated guidance, which did not have a material impact on its results of operations or financial position.

In May 2014, the FASB issued updated accounting guidance on recognizing revenue from contracts with customers, which outlines a single comprehensive model that an entity will apply to determine the measurement of revenue and timing of recognition. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. In 2017, the American Institute of Certified Public Accountants (“AICPA”) power and utility entities revenue recognition task force determined that contributions in aid of construction are not in the scope of the new standard, which was approved by the AICPA’s revenue recognition working group. The Company implemented the updated guidance using the modified retrospective approach on January 1, 2018, which did not result in a change in the Company’s

measurement of revenue, and reached the following conclusions:

- The Company's tariff sale contracts, including those with lower credit quality customers, are generally deemed to be probable of collection, and thus the timing of revenue recognition will continue to be concurrent with the delivery of water and wastewater services, consistent with our current practice.
- Contributions in aid of construction are outside of the scope of the standard and will continue to be accounted for as a noncurrent liability.

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Note 2 – *Acquisitions*

Pursuant to the Company's growth strategy, on October 22, 2018, the Company entered into a purchase agreement with LDC Parent LLC ("Seller"), to acquire its interests in LDC Funding LLC ("LDC"). LDC is the parent of LDC Holdings LLC ("LDC Holdings"), and LDC Holdings is the parent of five natural gas public utility companies, which includes Peoples Natural Gas Company, Peoples Gas Company, and Delta Natural Gas Company as well as other operating subsidiaries. Collectively these businesses are referred to as "Peoples," a natural gas distribution company headquartered in Pittsburgh, Pennsylvania, serving approximately 740,000 gas utility customers in western Pennsylvania, West Virginia, and Kentucky. At the closing of the Peoples Gas Acquisition, the Company will pay $4,275,000, in cash subject to adjustments for working capital, certain capital expenditures, transaction expenses and closing indebtedness as set forth in the acquisition agreement. The Company expects to assume approximately $1,300,000 of Peoples' indebtedness upon the closing of the Peoples Gas Acquisition, which would reduce the cash purchase price by approximately $1,300,000. The Company expects to finance the Peoples Gas Acquisition purchase price and to refinance certain debt of the Company with a mix of common equity, equity-linked securities, and debt financing, which could include senior notes issued in capital markets transactions, term loans or other credit facilities or any combination thereof. On October 22, 2018, the Company obtained a commitment (the "Bridge Commitment") from certain banks to provide senior unsecured bridge loans in an aggregate amount of up to $5,100,000 to, among other things, backstop the Peoples Gas Acquisition purchase price and the refinancing of certain debt of the Company and of Peoples. As of December 31, 2018, the Company had terminated approximately $1,633,000 of commitments under the Bridge Commitment in connection with, among other things, the replacement of the Company's unsecured revolving credit facility. On October 23, 2018, the Company entered into interest rate swap agreements to mitigate interest rate risk associated with an anticipated $850,000 of future debt issuances to fund a portion of the Peoples Gas Acquisition. The interest rate swaps will be settled upon issuance of the debt to be used to finance a portion of the purchase price of this acquisition. The interest rate swap agreements do not qualify for hedge accounting and any changes in the fair value of the swaps is included in our future earnings. The Peoples Gas Acquisition is subject to regulatory approvals, including by the public utility commissions in Pennsylvania, Kentucky, and West Virginia, and other customer closing conditions set forth in the acquisition agreement. This acquisition is expected to close in mid-2019, once regulatory approvals are obtained, and it is anticipated that this transaction will result in the recording of goodwill. In the event that this acquisition is terminated due to certain breaches by the Company, a fee of $120,000 would be payable to the Seller as liquidated damages.

In July 2018, the Company acquired the wastewater utility systems assets of Limerick Township, Pennsylvania which serves 5,497 customers. The total cash purchase price for the utility system was $74,836. The purchase price allocation for this acquisition consisted primarily of acquired property, plant and equipment of $64,759, and goodwill of $10,790. Additionally, during 2018, the Company completed seven acquisitions of water and wastewater utility systems in three states adding 8,661 customers. The total purchase price of these utility systems consisted of $42,519 in cash. The purchase price allocation for these acquisitions consisted primarily of acquired property, plant and equipment. The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for the utility systems acquired in 2018 are $3,308. Further, in December 2018, the Company acquired the Valley Creek Trunk Sewer System, serving area municipalities in Pennsylvania, from the Tredyffrin Township Municipal Authority for $28,300. The system receives untreated wastewater from area

municipalities, which is conveyed to the Valley Forge Treatment Plant. The system consists of 49,000 linear feet of gravity sewers, pump stations, and force mains.

In November 2018, the Company entered into a purchase agreement to acquire the wastewater utility system assets of East Norriton Township, Pennsylvania, which serves approximately 4,950 customers for $21,000. The purchase price for this pending acquisition is subject to certain adjustments at closing, and is subject to regulatory approval, including the final determination of the fair value of the rate base acquired.

In July 2018, the Company entered into a purchase agreement to acquire the wastewater utility system assets of Cheltenham Township, Pennsylvania, which serves approximately 10,500 customers for $50,250. The purchase price for this pending acquisition is subject to certain adjustments at closing, and is subject to regulatory approval, including the final determination of the fair value of the rate base acquired.

In addition to the Company's pending acquisition in East Norriton and Cheltenham Townships, as part of the Company's growth-through-acquisition strategy, the Company has entered into purchase agreements to acquire the water or wastewater utility system assets of four municipalities for a total combined purchase price in cash of $38,950. The purchase price for these pending acquisitions is subject to certain adjustments at closing, and the pending acquisitions are subject to regulatory approvals, including the final determination of the fair value of the rate base acquired. Closings for these acquisitions are expected to occur by the end of 2019, which is subject to the timing of the regulatory approval process. These acquisitions are expected to add approximately 4,000 customers in two of the states in which the Company operates.

In 2017, the Company completed four acquisitions of water and wastewater utility systems in two states adding 1,003 customers. The total purchase price of these utility systems consisted of $5,860 in cash, which resulted in $72 of goodwill being recorded. The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for the utility systems acquired were $846 in 2018 and in 2017 are $461. The pro forma effect of the businesses acquired is not material either individually or collectively to the Company's results of operations.

In January 2016, the Company acquired Superior Water Company, Inc., which provides public water service to 4,108 customers in portions of Berks, Chester, and Montgomery counties in Pennsylvania. The total purchase price for the utility system was $16,750, which consisted of the issuance of 439,943 shares of the Company's common stock and $3,905 in cash. The purchase price allocation for this acquisition consisted primarily of acquired property, plant and equipment of $25,167, contributions in aid of construction of $16,565, and goodwill of $8,622. Additionally, during 2016, the Company completed 18 acquisitions of water and wastewater utility systems in various states adding 2,469 customers. The total purchase price of these utility systems consisted of $5,518 in cash. The operating revenues included in the consolidated financial statements of the Company during the period owned by the Company for the utility systems acquired were $4,966 in 2018, $4,896 in 2017, and $3,809 in 2016. The pro forma effect of the businesses acquired is not material either individually or collectively to the Company's results of operations.

Note 3 –*Dispositions*

The following dispositions have not been presented as discontinued operations in the Company's consolidated financial statements as they do not qualify as discontinued operations, since their disposal does not represent a strategic shift that has a major effect on our operations or financial results. The gains or loss disclosed below are reported in the consolidated statements of net income as a component of operations and maintenance expense. These business units were reported within the Company's market-based subsidiary, Aqua Resources, and were included in "Other" in the Company's segment information.

Dispositions Completed in 2017 and 2016

In the second quarter of 2016, the Company decided to market for sale two business units that are reported within the Company's market-based subsidiary, Aqua Resources. One business unit installed and tested devices that prevent the contamination of potable water, for which the sale was completed in January 2017. The other business unit constructed, repaired, and performed maintenance on water and wastewater

systems, for which the sale was completed in June 2017. These business units were reported as assets held for sale in the Company's December 31, 2016 consolidated balance sheet included in this Annual Report. These transactions resulted in total proceeds of $867 and the recognition of a net loss of $324.

In the third quarter of 2016, the Company marketed for sale a business unit which inspects, cleans and repairs storm and sanitary wastewater lines. In November 2016, this business unit was sold for $1,059 in cash and resulted in a loss on sale of $1,081. Further, in December 2015, the Company decided to sell a business unit which provides liquid waste hauling and disposal services. During the second quarter of 2016, this business unit was sold for $3,400 in cash and resulted in a gain on sale of $537.

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AQUA AMERICA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

Dispositions Reported as Assets Held for Sale at December 31, 2018

In the fourth quarter of 2018, the Company decided to market for sale a water system in Virginia that serves approximately 500 customers. This water system is reported as assets held for sale in the Company's consolidated balance sheet, and the sale is expected to close in the second quarter of 2019.

In the first quarter of 2017, the Company decided to market for sale a water system in Texas that serves approximately 265 customers. This water system is reported as assets held for sale in the Company's consolidated balance sheet, and the sale is expected to close in the second quarter of 2019.

Note 4 – *Property, Plant and Equipment*

	December 31,			
	2018	2017	Approximate Range of Useful Lives	Weighted Average Useful Life
Utility plant and equipment:				
Mains and accessories	$ 3,344,910	$ 3,134,900	33 - 93 years	82 years
Services, hydrants, treatment plants and reservoirs	1,984,164	1,753,433	5 - 89 years	54 years
Operations structures and water tanks	313,531	296,736	14 - 85 years	47 years
Miscellaneous pumping and purification equipment	847,279	768,962	9 - 76 years	39 years
Meters, data processing, transportation and operating equipment	806,978	768,655	5 - 84 years	26 years
Land and other non-depreciable assets	107,537	103,357	-	-
Utility plant and equipment	7,404,399	6,826,043		
Utility construction work in progress	235,979	201,902	-	-
Net utility plant acquisition adjustment	(20,832)	(24,550)	2 - 59 years	30 years
Non-utility plant and equipment	28,923	598	2 - 50 years	49 years
Total property, plant and equipment	$ 7,648,469	$ 7,003,993		

Note 5 – *Accounts Receivable*

	December 31,	
	2018	2017
Billed utility revenue	$ 68,347	$ 65,695
Unbilled revenue	35,400	35,042
Other	4,392	4,930
	108,139	105,667
Less allowance for doubtful accounts	6,914	7,071
Net accounts receivable	$ 101,225	$ 98,596

The Company's utility customers are located principally in the following states: 47% in Pennsylvania, 15% in Ohio, 10% in North Carolina, 8% in Texas, and 8% in Illinois. No single customer accounted for more than one percent of the Company's regulated operating revenues during the years ended December 31, 2018, 2017, and 2016. The following table summarizes the changes in the Company's allowance for doubtful accounts:

	2018	2017	2016
Balance at January 1,	$ 7,071	$ 7,095	$ 5,873
Amounts charged to expense	5,305	4,986	5,500
Accounts written off	(6,587)	(6,135)	(5,410)
Recoveries of accounts written off	1,125	1,125	1,132
Balance at December 31,	$ 6,914	$ 7,071	$ 7,095

(In thousands of dollars, except per share amounts)

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Note 6 – *Regulatory Assets and Liabilities*

The regulatory assets represent costs that are probable to be fully recovered from customers in future rates while regulatory liabilities represent amounts that are expected to be refunded to customers in future rates or amounts recovered from customers in advance of incurring the costs. Except for income taxes, regulatory assets and regulatory liabilities are excluded from the Company's rate base and do not earn a return. The components of regulatory assets and regulatory liabilities are as follows:

	December 31, 2018		December 31, 2017	
	Regulatory Assets	Regulatory Liabilities	Regulatory Assets	Regulatory Liabilities
Income taxes	$ 657,378	$ 414,787	$ 584,067	$ 438,750
Customer refunds resulting from TCJA	-	4,593	-	-
Utility plant retirement costs	6,743	38,435	5,367	35,249
Post-retirement benefits	110,719	71,285	112,532	65,964
Accrued vacation	2,447	-	2,198	-
Water tank painting	2,864	1,855	3,259	1,855
Fair value adjustment of long-term debt assumed in acquisition	2,533	-	2,901	-
Rate case filing expenses and other	5,392	72	3,647	92
	$ 788,076	$ 531,027	$ 713,971	$ 541,910

Items giving rise to deferred state income taxes, as well as a portion of deferred Federal income taxes related to specific differences between tax and book depreciation expense, are recognized in the rate setting process on a cash basis or as a reduction in current income tax expense and will be recovered as they reverse. Amounts include differences that arise between specific utility asset improvement costs capitalized for book and deducted as an expense for tax purposes. Additionally, the recording of AFUDC for equity funds results in the recognition of a regulatory asset for income taxes, which represents amounts due related to the revenue requirement.

A portion of the regulatory liability for income taxes is related to Aqua Pennsylvania's income tax accounting change for the tax benefits realized on the Company's 2012 tax return, which have not yet reduced current income tax expense due to the ten-year amortization period which began in 2013. This amortization was stipulated in a June 2012 rate order issued to Aqua Pennsylvania and is subject to specific parameters being met each year. Beginning in 2013, the Company amortized $38,000, annually, of its deferred income tax benefits, which reduced current income tax expense and increased the Company's net income by $16,734.

On December 22, 2017, President Trump signed the TCJA into law, which reduced the Federal corporate income tax rate from 35% to 21%. Reductions in accumulated deferred income tax balances due to the reduction in the corporate income tax rate to 21% under the provisions of the TCJA will result in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. The TCJA includes provisions that stipulate how these excess deferred taxes relating to certain accelerated tax depreciation benefits are to be passed back to

customers. Potential refunds of other deferred taxes will be determined by our state regulators. The December 31, 2017 consolidated balance sheet reflects the impact of the TCJA on our regulatory assets and liabilities and reduces our regulatory assets by $357,262 and increases our regulatory liabilities by $303,320. These adjustments had no impact on our 2017 cash flows. The regulatory liability for customer refunds resulting from the TCJA represents a revenue reserve for potential customer refunds associated with the reduction in the Federal corporate income tax rate under the provisions of the TCJA.

The regulatory asset for utility plant retirement costs, including cost of removal, represents costs already incurred that are expected to be recovered in future rates over a five-year recovery period. The regulatory liability for utility plant retirement costs represents amounts recovered through rates during the life of the associated asset and before the costs are incurred.

(In thousands of dollars, except per share amounts)

The regulatory asset for accrued vacation represents costs that would otherwise be charged to operations and maintenance expense for vacation that is earned by employees, which is recovered as a cost of service.

The regulatory asset for post-retirement benefits, which includes pension and other post-retirement benefits, primarily reflects a regulatory asset that has been recorded for the costs that would otherwise be charged to stockholders' equity for the underfunded status of the Company's pension and other post-retirement benefit plans. The Company also has a regulatory asset related to post-retirement benefits costs that represent costs already incurred which are now being recovered in rates over 10 years. The regulatory liability for post-retirement benefits represents costs recovered in rates in excess of post-retirement benefits expense.

Expenses associated with water tank painting are deferred and amortized over a period of time as approved in the regulatory process. Water tank painting costs are generally being amortized over a period ranging from 1 to 15 years. The regulatory liability for water tank painting costs represents amounts recovered through rates and before the costs are incurred.

The Company recorded a fair value adjustment for fixed rate, long-term debt assumed in acquisitions that matures in various years ranging from 2022 to 2029. The regulatory asset or liability results from the rate setting process continuing to recognize the historical interest cost of the assumed debt.

The regulatory asset related to rate case filing expenses and other represents the costs associated with filing for rate increases that are deferred and amortized over periods that generally range from one to five years, and costs incurred by the Company for which it has received or expects to receive rate recovery.

The regulatory asset related to the costs incurred for information technology software projects and water main cleaning and relining projects are described in Note 1 – *Summary of Significant Accounting Policies – Property, Plant and Equipment and Depreciation*.

Note 7 – *Income Taxes*

The provision for income taxes consists of:

	Years Ended December 31,		
	2018	2017	2016
Current:			
Federal	$ -	$ 1,297	$ 2,046
State	1,281	1,837	1,682
	1,281	3,134	3,728
Deferred:			
Federal	(8,721)	21,376	21,489
State	(6,229)	(7,596)	(4,239)
	(14,950)	13,780	17,250
Total tax expense (benefit)	$ (13,669)	$ 16,914	$ 20,978

The statutory Federal tax rate is 21% for 2018, and 35% for 2017 and 2016. For states with a corporate net income tax, the state corporate net income tax rates range from 3% to 9.99% for all years presented.

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AQUA AMERICA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

The reasons for the differences between amounts computed by applying the statutory Federal corporate income tax rate to income before income tax expense are as follows:

	Years Ended December 31,		
	2018	2017	2016
Computed Federal tax expense at statutory rate	$ 37,447	$ 89,828	$ 89,306
Decrease in Federal tax expense related to an income tax accounting change for qualifying utility asset improvement costs	(44,089)	(69,325)	(62,831)
State income taxes, net of Federal tax benefit	(4,964)	(3,743)	(1,662)
Increase in tax expense for depreciation expense to be recovered in future rates	328	199	199
Stock-based compensation	(414)	(595)	(227)
Deduction for Aqua America common dividends paid under employee benefit plan	(312)	(455)	(455)
Amortization of deferred investment tax credits	(373)	(376)	(405)
Federal tax rate change	(313)	3,141	-
Other, net	(979)	(1,760)	(2,947)
Actual income tax expense (benefit)	$ (13,669)	$ 16,914	$ 20,978

In 2012, the Company changed its tax method of accounting for qualifying utility system repairs in Aqua Pennsylvania effective with the tax year ended December 31, 2012 and for prior tax years. The tax accounting method was changed to permit the expensing of qualifying utility asset improvement costs that were previously being capitalized and depreciated for book and tax purposes. This change was implemented in response to a June 2012 rate order issued by the Pennsylvania Public Utility Commission to Aqua Pennsylvania which provides for a reduction in current income tax expense as a result of the flow-through recognition of some income tax benefits due to the income tax accounting change. The Company recorded income tax benefits of $64,183, $84,766, and $78,530 during 2018, 2017, and 2016, respectively. The Company recognized a tax deduction on its 2012 Federal tax return of $380,000 for qualifying capital expenditures made prior to 2012, and based on the rate order, in 2013, the Company began to amortize 1/10th of these expenditures. In accordance with the rate order, the amortization is expected to reduce current income tax expense during periods when qualifying parameters are met. Beginning in 2013, the Company amortized the qualifying capital expenditures made prior to 2012 and recognized $38,000, annually, of deferred income tax benefits, which reduced current income tax expense and increased the Company's net income by $16,734. The Company's effective income tax rate for 2018, 2017, and 2016 was (7.7)%, 6.6%, and 8.2%, respectively.

The Company establishes reserves for uncertain tax positions based upon management's judgment as to the sustainability of these positions. These accounting estimates related to the uncertain tax position reserve require judgments to be made as to the sustainability of each uncertain tax position based on its technical merits. The Company believes its tax positions comply with applicable law and that it has adequately recorded reserves as required. However, to the extent the final tax outcome of these matters is different than the estimates recorded, the Company would then adjust its tax reserves or unrecognized tax benefits in the period that this information becomes known. The Company has elected to recognize accrued interest

and penalties related to uncertain tax positions as income tax expense.

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Notes to Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

The following table provides the changes in the Company's unrecognized tax benefits:

	2018	2017
Balance at January 1,	$ 17,583	$ 28,099
Additions based on tax position related to the current year	209	705
Effect of Federal tax rate change	-	(11,221)
Balance at December 31,	$ 17,792	$ 17,583

The unrecognized tax benefits relate to the income tax accounting change, and the tax position is attributable to a temporary difference. The Company does not anticipate material changes to its unrecognized tax benefits within the next year. As a result of the regulatory treatment afforded by the income tax accounting change in Pennsylvania and despite this position being a temporary difference, as of December 31, 2018 and 2017, $26,990 and $24,243 and, respectively, of these tax benefits would have an impact on the Company's effective income tax rate in the event the Company does sustain all, or a portion, of its tax position.

The following table provides the components of net deferred tax liability:

	December 31,	
	2018	2017
Deferred tax assets:		
Customers' advances for construction	$ 13,188	$ 17,123
Costs expensed for book not deducted for tax, principally accrued expenses	27,711	12,956
Utility plant acquisition adjustment basis differences	1,053	1,752
Post-retirement benefits	39,515	36,353
Tax loss and credit carryforwards	43,637	56,642
Other	2,761	2,348
	127,865	127,174
Less valuation allowance	18,082	11,623
	109,783	115,551
Deferred tax liabilities:		
Utility plant, principally due to depreciation and differences in the basis of fixed assets due to variation in tax and book accounting	837,057	795,537
Deferred taxes associated with the gross-up of revenues necessary to recover, in rates, the effect of temporary differences	72,258	46,143
Tax effect of regulatory asset for post-retirement benefits	39,515	36,353
Deferred investment tax credit	6,356	6,591
	955,186	884,624
Net deferred tax liability	$ 845,403	$ 769,073

At December 31, 2018, the Company has a cumulative Federal NOL of $10,835. The Company believes the Federal NOLs are more likely than not to be recovered and require no valuation allowance. The Company's Federal NOLs do not begin to expire until 2032.

At December 31, 2018, the Company has a cumulative state NOL of $650,286, a portion of which is offset by a valuation allowance because the Company does not believe these NOLs are more likely than not to be realized. The state NOLs do not begin to expire until 2023.

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The Company has unrecognized tax positions that result in the associated tax benefit being unrecognized. The Company's Federal and state NOL carryforwards are reduced by an unrecognized tax position, on a gross basis, of $69,047 and $85,672, respectively, which results from the Company's adoption in 2013 of the FASB's accounting guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amounts of the Company's Federal and state NOL carryforwards prior to being reduced by the unrecognized tax positions are $79,882 and $735,958, respectively. The Company records its unrecognized tax benefit as a reduction to its deferred income tax liability.

As of December 31, 2018, the Company's Federal income tax returns for all years through 2011 have been closed. Tax years 2012 through 2018 remain open to Federal examination. The statute remains open for the Company's state income tax returns for tax years 2015 through 2018 in the various states in which it conducts business.

On December 22, 2017, President Trump signed the TCJA into law. The TCJA includes significant changes to the Code and the taxation of business entities, and includes specific provisions related to regulated public utilities. Significant changes that impact the Company included in the TCJA are a reduction in the corporate federal income tax rate from 35% to 21%, effective January 1, 2018, and a limitation of the utilization of NOLs arising after December 31, 2017 to 80% of taxable income with an indefinite carryforward. The specific TCJA provisions related to our regulated entities generally allow for the continued deductibility of interest expense, the elimination of full expensing for tax purposes of certain property acquired after September 27, 2017 and the continuation of certain rate normalization requirements for accelerated depreciation benefits. Our market-based companies still qualify for 100% deductibility of qualifying property acquired after September 27, 2017.

At the date of enactment, the Company's deferred taxes were re-measured based upon the new tax rate. For our regulated entities, the change in deferred taxes was recorded as either an offset to a regulatory asset or liability. In instances where the deferred tax balances are not in ratemaking, such as the Company's market-based operations, the change in deferred taxes was recorded as an adjustment to our deferred tax provision. To the extent the revalued deferred income tax assets and liabilities were outside of our regulated operations and are not believed to be recoverable in utility customer rates, the revalued amount of $3,141 was recognized as additional deferred income tax expense during the quarter ended December 31, 2017.

The staff of the SEC has recognized the complexity of reflecting the impacts of the TCJA, and on December 22, 2017 issued guidance, which clarifies accounting for income taxes if information is not yet available or complete and provides for up to a one year period in which to complete the required analyses and accounting (the measurement period). The guidance describes three scenarios (or "buckets") associated with a company's status of accounting for income tax reform: (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply the FASB's accounting guidance, based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. The one-year measurement period concluded in the fourth quarter of 2018, and there were no material changes in the Company's accounting for the TCJA.

One of our states, Pennsylvania, has not issued an accounting or procedural order addressing how the TCJA changes are to be reflected in our utility customer rates. As of December 31, 2017, the Company has provisionally estimated that $175,108 of deferred income tax liabilities for our Pennsylvania subsidiary will be a regulatory liability. In August 2018, Aqua Pennsylvania filed for a base rate increase in water and wastewater rates for its customers. In February 2019, Aqua Pennsylvania filed a settlement for this base rate case, and there has been no change in the Company's estimate of its regulatory liability. Overall, the Company has applied a reasonable interpretation of the impact of the TCJA and a reasonable estimate of the regulatory resolution. Further clarification of the TCJA and regulatory resolution may change the amounts estimated of the deferred income tax provision and the accumulated deferred income tax liability.

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The Company's regulated operations accounting for income taxes are impacted by the FASB's accounting guidance for regulated operations. Reductions in accumulated deferred income tax balances due to the reduction in the Federal corporate income tax rates to 21% under the provisions of the TCJA will result in amounts previously collected from utility customers for these deferred taxes to be refundable to such customers, generally through reductions in future rates. The TCJA includes provisions that stipulate how these excess deferred taxes related to certain accelerated tax depreciation deduction benefits are to be passed back to customers. Potential refunds of other deferred taxes will be determined by our state regulators. The Company has reserved $4,593 for amounts expected to be refundable to utility customers. In 2018, Illinois, Virginia, Texas, New Jersey, and two operating divisions in Ohio which operate under locally-negotiated contractual rates with their respective counties, the Company's base rates have been adjusted or surcredits have been added to customer bills to reflect the lower corporate income tax rate. In North Carolina, Indiana, and our regulated operations in Ohio, no surcredits have been added to customer bills to reflect the lower corporate income tax rate in 2018. These adjustments will be reflected in customer bills beginning January 1, 2019. In Pennsylvania, no procedural order has been received in 2018 but is expected to be received in 2019. In addition, we have two rate cases currently in progress in two states in which the TCJA is expected to be addressed in the new base rates. The December 31, 2017 consolidated balance sheet reflects the impact of the TCJA on our regulatory assets and liabilities which reduced our regulatory assets by $357,262 and increased our regulatory liabilities by $303,320. These adjustments had no impact on our 2017 cash flows.

Note 8 – *Taxes Other than Income Taxes*

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

	Years Ended December 31,		
	2018	2017	2016
Property	$ 27,469	$ 25,810	$ 26,788
Gross receipts, excise and franchise	14,521	13,458	12,510
Payroll	9,789	9,477	9,772
Regulatory assessments	2,752	2,552	2,630
Pumping fees	4,978	5,057	4,571
Other	253	274	114
Total taxes other than income taxes	$ 59,762	$ 56,628	$ 56,385

Note 9 – *Commitments and Contingencies*

Commitments – The Company leases motor vehicles, buildings and other equipment under operating leases that are noncancelable. The future annual minimum lease payments due are as follows:

2019	2020	2021	2022	2023	Thereafter
$ 1,557	$ 1,018	$ 779	$ 557	$ 184	$ 137

The Company leases parcels of land on which treatment plants and other facilities are situated and adjacent parcels that are used for watershed protection. The operating leases are noncancelable, expire between 2020 and 2095, and contain renewal provisions. Some leases are subject to an adjustment every five years based on changes in the Consumer Price Index. Subject to the aforesaid adjustment, during each of the next five years, an average of $664 of annual lease payments for land is due, and the aggregate of the years remaining approximates $16,033.

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The Company maintains agreements with other water purveyors for the purchase of water to supplement its water supply, particularly during periods of peak demand. The agreements stipulate purchases of minimum quantities of water to the year 2026. The estimated annual commitments related to such purchases through 2023 are expected to average $4,824 and the aggregate of the years remaining approximates $8,072.

The Company has entered into purchase obligations, in the ordinary course of business, that include agreements for water treatment processes at some of its wells in a small number of its divisions. The 20 year term agreement provides for the use of treatment equipment and media used in the treatment process and are subject to adjustment based on changes in the Consumer Price Index. The future contractual cash obligations related to these agreements are as follows:

2019	2020	2021	2022	2023	Thereafter
$ 1,006	$ 1,027	$ 1,047	$ 1,070	$ 1,077	$ 5,597

Rent expense under operating leases, purchased water expense, and water treatment expenses under these agreements were as follows:

	Years Ended December 31,		
	2018	2017	2016
Operating lease expense	$ 2,569	$ 2,241	$ 2,776
Purchased water under long-term agreements	6,065	8,558	13,955
Water treatment expense under contractual agreement	970	945	940

Contingencies – The Company is routinely involved in various disputes, claims, lawsuits and other regulatory and legal matters, including both asserted and unasserted legal claims, in the ordinary course of business. The status of each such matter, referred to herein as a loss contingency, is reviewed and assessed in accordance with applicable accounting rules regarding the nature of the matter, the likelihood that a loss will be incurred, and the amounts involved. As of December 31, 2018, the aggregate amount of $17,681 is accrued for loss contingencies and is reported in the Company's consolidated balance sheet as other accrued liabilities and other liabilities. These accruals represent management's best estimate of probable loss (as defined in the accounting guidance) for loss contingencies or the low end of a range of losses if no single probable loss can be estimated. For some loss contingencies, the Company is unable to estimate the amount of the probable loss or range of probable losses. While the final outcome of these loss contingencies cannot be predicted with certainty, and unfavorable outcomes could negatively impact the Company, at this time in the opinion of management, the final resolution of these matters are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows. Further, Aqua America has insurance coverage for a number of these loss contingencies, and as of December 31, 2018, estimates that approximately $6,108 of the amount accrued for these matters are probable of recovery through insurance, which amount is also reported in the Company's consolidated balance sheet as deferred charges and other assets, net.

Although the results of legal proceedings cannot be predicted with certainty, there are no pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of its properties is

the subject that are material or are expected to have a material effect on the Company's financial position, results of operations or cash flows.

Additionally, the Company self-insures its employee medical benefit program, and maintains stop-loss coverage to limit the exposure arising from these claims. The Company's reserve for these claims totaled $1,515 and $1,451 at December 31, 2018 and 2017 and represents a reserve for unpaid claim costs, including an estimate for the cost of incurred but not reported claims.

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Note 10 – *Long-term Debt and Loans Payable*

Long-term Debt – The consolidated statements of capitalization provide a summary of long-term debt as of December 31, 2018 and 2017. The supplemental indentures with respect to specific issues of the first mortgage bonds restrict the ability of Aqua Pennsylvania and other operating subsidiaries of the Company to declare dividends, in cash or property, or repurchase or otherwise acquire the stock of these companies. Loan agreements for Aqua Pennsylvania and other operating subsidiaries of the Company have restrictions on minimum net assets. As of December 31, 2018, restrictions on the net assets of the Company were $1,613,139 of the total $2,009,363 in net assets. Included in this amount were restrictions on Aqua Pennsylvania's net assets of $1,215,475 of their total net assets of $1,695,380. As of December 31, 2018, $1,497,417 of Aqua Pennsylvania's retained earnings of $1,517,417 and $181,400 of the retained earnings of $246,400 of other subsidiaries were free of these restrictions. Some supplemental indentures also prohibit Aqua Pennsylvania and some other subsidiaries of the Company from making loans to, or purchasing the stock of, the Company.

Sinking fund payments are required by the terms of specific issues of long-term debt. Excluding amounts due under the Company's revolving credit agreement, the future sinking fund payments and debt maturities of the Company's long-term debt are as follows:

Interest Rate Range	2019	2020	2021	2022	2023	Thereafter
0.00% to 0.99%	$ 464	$ 462	$ 463	$ 466	$ 460	$ 1,417
1.00% to 1.99%	1,222	1,158	910	888	767	6,643
2.00% to 2.99%	51,814	1,863	1,913	1,965	2,017	7,916
3.00% to 3.99%	2,758	52,553	2,591	2,538	1,910	730,076
4.00% to 4.99%	50,403	16,616	15,297	237	11,055	849,458
5.00% to 5.99%	36,183	18,178	8,456	18,029	10,807	195,562
6.00% to 6.99%	-	-	-	-	-	31,000
7.00% to 7.99%	527	615	666	366	-	29,390
8.00% to 8.99%	474	613	1,665	721	784	1,324
9.00% to 9.99%	700	700	6,600	-	-	12,000
Total	$ 144,545	$ 92,758	$ 38,561	$ 25,210	$ 27,800	$ 1,864,786

In November 2018, Aqua Pennsylvania issued $125,000 of first mortgage bonds, of which $65,000 is due in 2047, $30,000 is due in 2052, and $30,000 is due in 2053 with interest rates of 4.44%, 4.49%, and 4.51%, respectively. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

In June 2018, Aqua Pennsylvania issued $100,000 of first mortgage bonds, of which $25,000 is due in 2042, $10,000 is due in 2045, and $65,000 is due in 2048 with interest rates of 3.99%, 4.04%, and 4.09%, respectively. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

In July 2018, Aqua Pennsylvania redeemed $49,660 of tax-exempt bonds at 5.25% that were originally maturing in 2042 and 2043, respectively.

In October 2017, Aqua Pennsylvania issued $75,000 of first mortgage bonds, of which $35,000 is due in 2054, $20,000 is due in 2055, and $20,000 is due in 2057 with interest rates of 4.06%, 4.07%, and 4.09%, respectively. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

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In July 2017 Aqua Illinois issued $100,000 of first mortgage bonds consisting of the following:

Amount	Interest Rate	Maturity
$25,000	3.64%	2032
$6,000	3.89%	2037
$15,000	3.90%	2038
$10,000	4.18%	2047
$22,000	4.22%	2049
$22,000	4.24%	2050

The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

In July 2017, Aqua Pennsylvania issued $80,000 of first mortgage bonds, of which $40,000 is due in 2055 and $40,000 is due in 2057 with interest rates of 4.04% and 4.06%, respectively. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

In January 2017, Aqua Pennsylvania issued $50,000 of first mortgage bonds, of which $10,000 is due in 2042 and $40,000 is due in 2044 with interest rates of 3.65% and 3.69%, respectively. The proceeds from these bonds were used to repay existing indebtedness and for general corporate purposes.

As of December 31, 2018 and 2017, the Company did not have any funds restricted for construction activity.

The weighted average cost of long-term debt at December 31, 2018 and 2017 was 4.23% and 4.29%, respectively. The weighted average cost of fixed rate long-term debt at December 31, 2018 and 2017 was 4.31% and 4.36%, respectively.

In December 2018, the Company entered into a five-year $550,000 unsecured revolving credit facility, which replaced the Company's prior five-year $500,000 unsecured revolving credit facility. The Company's new unsecured revolving credit facility will be used to repay all indebtedness and fees under our prior unsecured revolving credit facility, and for other general corporate purposes. Additionally, the facility expands by $150,000 of capacity, upon closing of the Peoples Gas Acquisition, which amount will be available to repay certain outstanding indebtedness and fees to close an existing credit facility of Peoples and for general corporate purposes. Further, the Company may request to expand the facility by an additional amount of up to $300,000, upon the closing of the Peoples Gas Acquisition. The facility includes a $25,000 sublimit for daily demand loans. Funds borrowed under this facility are classified as long-term debt and are used to provide working capital as well as support for letters of credit for insurance policies and other financing arrangements. As of December 31, 2018, the Company has the following sublimits and available capacity under the credit facility: $50,000 letter of credit sublimit, $29,503 of letters of credit available capacity, $0 borrowed under the swing-line commitment, and $370,000 of funds borrowed under the agreement. Interest under this facility is based at the Company's option, on the prime rate, an adjusted Euro-Rate, an adjusted federal funds rate or at rates offered by the banks. A facility fee is charged on the total commitment amount of the agreement. Under these facilities the average cost of borrowings was

2.92% and 1.91%, and the average borrowing was $207,277 and $48,333, during 2018 and 2017, respectively.

The Company is obligated to comply with covenants under some of its loan and debt agreements. These covenants contain a number of restrictive financial covenants, which among other things limit, subject to specific exceptions, the Company's ratio of consolidated total indebtedness to consolidated total capitalization, and require a minimum level of earnings coverage over interest expense. During 2018, the Company was in compliance with its debt covenants under its loan and debt agreements. Failure to comply with the Company's debt covenants could result in an event of default, which could result in the Company being required to repay or finance its borrowings before their due date, possibly limiting the Company's future borrowings, and increasing its borrowing costs.

Loans Payable – In November 2018, Aqua Pennsylvania renewed its $100,000 364-day unsecured revolving credit facility with four banks. The funds borrowed under this agreement are classified as loans payable and used to provide

working capital. As of December 31, 2018 and 2017, funds borrowed under the agreement were $15,449 and $3,650, respectively. Interest under this facility is based, at the borrower's option, on the prime rate, an adjusted federal funds rate, an adjusted London Interbank Offered Rate corresponding to the interest period selected, an adjusted Euro-Rate corresponding to the interest period selected or at rates offered by the banks. This agreement restricts short-term borrowings of Aqua Pennsylvania. A commitment fee of 0.05% is charged on the total commitment amount of Aqua Pennsylvania's revolving credit agreement. The average cost of borrowing under the facility was 2.68% and 1.78%, and the average borrowing was $22,056 and $21,913, during 2018 and 2017, respectively. The maximum amount outstanding at the end of any one month was $45,000 and $66,466 in 2018 and 2017, respectively.

At December 31, 2018 and 2017, the Company had other combined short-term lines of credit of $35,500. Funds borrowed under these lines are classified as loans payable and are used to provide working capital. As of December 31, 2018 and 2017, funds borrowed under the short-term lines of credit were $0, respectively. The average borrowing under the lines was $0 and $908 during 2018 and 2017, respectively. The maximum amount outstanding at the end of any one month was $0 in 2018 and $990 in 2017, respectively. Interest under the lines is based at the Company's option, depending on the line, on the prime rate, an adjusted Euro-Rate, an adjusted federal funds rate or at rates offered by the banks. The average cost of borrowings under all lines during 2018 and 2017 was 2.68% and 1.81%, respectively.

Interest Income and Expense– Interest income of $152, $202, and $217 was netted against interest expense on the consolidated statement of net income for the years ended December 31, 2018, 2017, and 2016, respectively. The total interest cost was $99,054, $88,543, and $80,811 in 2018, 2017, and 2016, including amounts capitalized for borrowed funds of $3,332, $3,578, and $2,220, respectively.

Unsecured Bridge Loan Commitment – On October 22, 2018, the Company obtained the Bridge Commitment from certain banks to provide senior unsecured bridge loans in an aggregate amount of up to $5,100,000 to, among other things, backstop the Peoples Gas Acquisition purchase price and the refinancing of certain debt of the Company and of Peoples. As of December 31, 2018, the Company had terminated approximately $1,633,000 of commitments under the Bridge Commitment in connection with, among other things, the replacement of the Company's unsecured revolving credit facility and the expected maintenance of certain Peoples' indebtedness.

Interest Rate Swap Agreements – In October 2018, the Company entered into interest rate swap agreements to mitigate interest rate risk associated with an anticipated $850,000 of future debt issuances to fund a portion of the Peoples Gas Acquisition and refinance a portion of the Company's borrowings . The interest rate swaps will be settled upon issuance of the debt to be used to finance a portion of the purchase price of this acquisition. The interest rate swaps do not qualify for hedge accounting and any changes in the fair value of the swaps is included in our future earnings. The interest rate swaps are classified as financial derivatives used for non-trading activities. Other than the interest rate swaps, the Company has no other derivative instruments. The Company records the fair value of the interest rate swaps by discounting the future net cash flows associated with anticipated future debt issuance and recognizes either an asset or liability at the balance sheet date.

The following table provides a summary of the fair value of our interest rate swap agreements:

	Derivative Assets		Derivative Liabilities	
	December 31,		December 31,	
	Balance Sheet Location	2018	Balance Sheet Location	2018
Derivatives not designated as hedging instrument:				
Interest rate swaps	Current assets	$ -	Current liabilities	$ 59,779

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The following table provides a summary of the amounts recognized in earnings for our interest rate swap agreements:

		Amount of Gain (Loss) Recognized in Income on Derivatives
		Year Ended December 31,
	Location of Gain (Loss) Recognized	2018
Derivatives not designated as hedging instrument:		
Interest rate swaps	Other (expense) income	$ (59,779)

Note 11 – *Fair Value of Financial Instruments*

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

The fair value of loans payable is determined based on its carrying amount and utilizing level 1 methods and assumptions. As of December 31, 2018 and 2017, the carrying amount of the Company's loans payable was $15,449 and $3,650, which equates to their estimated fair value. The fair value of the interest rate swap agreements is determined by discounting the future net cash flows utilizing level 2 methods and assumptions. As of December 31, 2018, the fair value of the Company's interest rate swap agreements represented a liability of $59,779. The fair value of cash and cash equivalents, which is comprised of uninvested cash, is determined based on level 1 methods and assumptions. As of December 31, 2018 and 2017, the carrying amounts of the Company's cash and cash equivalents were $3,627 and $4,204, which equates to their fair value. The Company's assets underlying the deferred compensation and non-qualified pension plans are determined by the fair value of mutual funds, which are based on quoted market prices from active markets utilizing level 1 methods and assumptions. As of December 31, 2018 and 2017, the carrying amount of these securities was $20,388 and $21,776, which equates to their fair value, and is reported in the consolidated balance sheet in deferred charges and other assets.

Unrealized gains and losses on equity securities held in conjunction with our non-qualified pension plan is as follows:

	2018
Net loss recognized during the period on equity securities	$ (95)
Less: net gain / loss recognized during the period on equity securities sold during the period	-

Unrealized loss recognized during the reporting period on equity securities still held at the reporting date	$ (95)

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The net loss recognized on equity securities is presented on the consolidated statements of net income on the line item “Other.” Additionally, the unrealized gain recognized during 2017 and 2016 was reported on the consolidated statements of comprehensive income.

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

	December 31,	
	2018	2017
Carrying amount	$ 2,563,660	$ 2,143,127
Estimated fair value	2,588,086	2,262,785

The fair value of long-term debt has been determined by discounting the future cash flows using current market interest rates for similar financial instruments of the same duration utilizing level 2 methods and assumptions. The Company’s customers’ advances for construction have a carrying value of $93,343 and $93,186 at December 31, 2018 and 2017, respectively. Their relative fair values cannot be accurately estimated because future refund payments depend on several variables, including new customer connections, customer consumption levels and future rate increases. Portions of these non-interest bearing instruments are payable annually through 2028 and amounts not paid by the respective contract expiration dates become non-refundable. The fair value of these amounts would, however, be less than their carrying value due to the non-interest bearing feature.

Note 12 – *Stockholders’ Equity*

At December 31, 2018, the Company had 300,000,000 shares of common stock authorized; par value $0.50. Shares outstanding and treasury shares held were as follows:

	December 31,		
	2018	2017	2016
Shares outstanding	178,091,621	177,713,943	177,394,376
Treasury shares	3,060,206	2,986,308	2,916,969

At December 31, 2018, the Company had 1,770,819 shares of authorized but unissued Series Preferred Stock, $1.00 par value.

In February 2018, the Company filed a universal shelf registration statement with the SEC to allow for the potential future sale by the Company, from time to time, in one or more public offerings, of an indeterminate amount of our common stock, preferred stock, debt securities and other securities specified therein at indeterminate prices.

The Company has an acquisition shelf registration statement on file with the SEC which permits the offering, from time to time, of an aggregate of $500,000 in shares of common stock and shares of preferred stock in connection with acquisitions. During 2016, 439,943 shares of common stock totaling $12,845 were

issued by the Company to acquire a water utility system. The balance remaining available for use under the acquisition shelf registration as of December 31, 2018 is $487,155.

The form and terms of any securities issued under the universal shelf registration statement and the acquisition shelf registration statement will be determined at the time of issuance.

The Company has a Dividend Reinvestment and Direct Stock Purchase Plan (“Plan”) that allows reinvested dividends to be used to purchase shares of common stock at a five percent discount from the current market value. Under the direct

stock purchase program, shares are purchased by investors at a five percent discount from the market price. The shares issued under the Plan are either shares purchased by the Company's transfer agent in the open-market or original issue shares. In 2018, 2017, and 2016, 321,585, 447,753, and 484,645 shares of the Company were purchased under the dividend reinvestment portion of the Plan by the Company's transfer agent in the open-market for $11,343, $15,168, and $14,916, respectively. During 2018 and 2017, under the dividend reinvestment portion of the Plan, 158,205 and 45,121 original issue shares of common stock were sold, providing the Company with proceeds of $5,163 and $1,453, respectively.

The Company's accumulated other comprehensive income is reported in the stockholders' equity section of the consolidated balance sheets, the consolidated statements of equity, and the related components of other comprehensive income are reported in the consolidated statements of comprehensive income. The Company recorded a regulatory asset for its underfunded status of its pension and other post-retirement benefit plans that would otherwise be charged to other comprehensive income, as it anticipates recovery of its costs through customer rates.

Note 13 – *Net Income per Common Share and Equity per Common Share*

Basic net income per share is based on the weighted average number of common shares outstanding. Diluted net income per share is based on the weighted average number of common shares outstanding and potentially dilutive shares. The dilutive effect of employee stock-based compensation is included in the computation of diluted net income per share. The dilutive effect of stock-based compensation is calculated by using the treasury stock method and expected proceeds upon exercise or issuance of the stock-based compensation. The treasury stock method assumes that the proceeds from stock-based compensation are used to purchase the Company's common stock at the average market price during the period. The following table summarizes the shares, in thousands, used in computing basic and diluted net income per share:

	Years ended December 31,		
	2018	2017	2016
Average common shares outstanding during the period for basic computation	177,904	177,612	177,273
Effect of dilutive securities:			
Employee stock-based compensation	495	563	573
Average common shares outstanding during the period for diluted computation	178,399	178,175	177,846

For the year ended December 31, 2018, the Company's employee stock options to purchase 8,596 shares of common stock were excluded from the calculation of diluted net income per share as the calculated cost to exercise the stock options was greater than the average market price of the Company's common stock during this period. For the years ended December 31, 2017, and 2016, all of the Company's employee stock options were included in the calculation of diluted net income per share as the calculated cost to exercise the stock options was less than the average market price of the Company's common stock during these periods.

Equity per common share was $11.28 and $11.02 at December 31, 2018 and 2017, respectively. These amounts were computed by dividing Aqua America stockholders' equity by the number of shares of

common stock outstanding at the end of each year.

Note 14 – *Employee Stock and Incentive Plan*

Under the Company's 2009 Omnibus Equity Compensation Plan, as amended as of February 27, 2014 (the "2009 Plan"), as approved by the Company's shareholders to replace the 2004 Equity Compensation Plan (the "2004 Plan"), stock options, stock units, stock awards, stock appreciation rights, dividend equivalents, and other stock-based awards may be granted to employees, non-employee directors, and consultants and advisors. No further grants may be made under the 2004 Plan. The 2009 Plan authorizes 6,250,000 shares for issuance under the plan. A maximum of 3,125,000 shares under the 2009 Plan may be issued pursuant to stock award, stock units and other stock-based awards, subject to adjustment as provided in the 2009 Plan. During any calendar year, no individual may be granted (i) stock options and

(In thousands of dollars, except per share amounts)

stock appreciation rights under the 2009 Plan for more than 500,000 shares of common stock in the aggregate or (ii) stock awards, stock units or other stock-based awards under the 2009 Plan for more than 500,000 shares of Company stock in the aggregate, subject to adjustment as provided in the 2009 Plan. Awards to employees and consultants under the 2009 Plan are made by a committee of the Board of Directors, except that with respect to awards to the Chief Executive Officer, the committee recommends those awards for approval by the non-employee directors of the Board of Directors. In the case of awards to non-employee directors, the Board of Directors makes such awards. At December 31, 2018, 3,374,238 shares underlying stock-based compensation awards were still available for grant under the 2009 Plan.

Performance Share Units – During 2018, 2017, and 2016, the Company granted performance share units. A performance share unit ("PSU") represents the right to receive a share of the Company's common stock if specified performance goals are met over the three year performance period specified in the grant, subject to exceptions through the respective vesting periods, generally three years. Each grantee is granted a target award of PSUs, and may earn between 0% and 200% of the target amount depending on the Company's performance against the performance goals.

The performance goals of the 2018, 2017, and 2016 PSU grants consisted of the following metrics:

	Performance Grant of:		
	2018	2017	2016
Metric 1 – Company's total shareholder return ("TSR") compared to the TSR for a specific peer group of investor-owned water companies (a market-based condition)	25.0%	26.47%	27.5%
Metric 2 – Company's TSR compared to the TSR for the companies listed in the Standard and Poor's Midcap Utilities Index (a market-based condition)	25.0%	26.47%	27.5%
Metric 3 – Achievement of a targeted cumulative level of rate base growth as a result of acquisitions (a performance-based condition)	25.0%	23.53%	25.0%
Metric 4 – Achievement of targets for maintaining consolidated operations and maintenance expenses over the three year measurement period (a performance-based condition)	25.0%	23.53%	20.0%

The following table provides the compensation expense and income tax benefit for PSUs:

	Years ended December 31,		
	2018	2017	2016
Stock-based compensation within operations and maintenance expense	$ 4,817	$ 4,351	$ 3,823
Income tax benefit	1,344	1,766	1,552

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(In thousands of dollars, except per share amounts)

The following table summarizes nonvested PSU transactions for the year ended December 31, 2018:

	Number of Share Units	Weighted Average Fair Value
Nonvested share units at beginning of period	452,333	$ 26.16
Granted	93,339	37.42
Performance criteria adjustment	44,821	32.52
Forfeited	(20,402)	32.31
Share units vested in prior period and issued in current period	9,400	26.54
Share units issued	(136,081)	31.70
Nonvested share units at end of period	443,410	27.20

A portion of the fair value of PSUs was estimated at the grant date based on the probability of satisfying the market-based conditions associated with the PSUs using the Monte Carlo valuation method, which assesses the probabilities of various outcomes of market conditions. The other portion of the fair value of the PSUs associated with performance-based conditions was based on the fair market value of the Company's stock at the grant date, regardless of whether the market-based condition is satisfied. The fair value of each PSU grant is amortized into compensation expense on a straight-line basis over their respective vesting periods, generally 36 months. The accrual of compensation costs is based on an estimate of the final expected value of the award and is adjusted as required for the portion based on the performance-based condition. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the PSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the PSUs. The recording of compensation expense for PSUs has no impact on net cash flows. The following table provides the assumptions used in the pricing model for the grant, the resulting grant date fair value of PSUs, and the intrinsic value and fair value of PSUs that vested during the year:

	Years ended December 31,		
	2018	2017	2016
Expected term (years)	3.0	3.0	3.0
Risk-free interest rate	2.43%	1.49%	0.91%
Expected volatility	17.2%	17.9%	17.9%
Weighted average fair value of PSUs granted	$ 37.42	$ 30.79	$ 28.89
Intrinsic value of vested PSUs	$ 4,704	$ 3,926	$ 5,912
Fair value of vested PSUs	$ 3,613	$ 3,207	$ 5,104

As of December 31, 2018, $5,350 of unrecognized compensation costs related to PSUs is expected to be recognized over a weighted average period of approximately 1.8 years. The aggregate intrinsic value of PSUs as of December 31, 2018 was $15,160. The aggregate intrinsic value of PSUs is based on the number of nonvested share units and the market value of the Company's common stock as of the period end date.

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Notes to Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

Restricted Stock Units – A restricted stock unit ("RSU") represents the right to receive a share of the Company's common stock and is valued based on the fair market value of the Company's stock on the date of grant. RSUs are eligible to be earned at the end of a specified restricted period, generally three years, beginning on the date of grant. In some cases, the right to receive the shares is subject to specific performance goals established at the time the grant is made. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense. As the payout of the RSUs includes dividend equivalents, no separate dividend yield assumption is required in calculating the fair value of the RSUs. The following table provides the compensation expense and income tax benefit for RSUs:

	Years ended December 31,		
	2018	2017	2016
Stock-based compensation within operations and maintenance expense	$ 1,605	$ 1,183	$ 1,061
Income tax benefit	456	489	438

The following table summarizes nonvested RSU transactions for the year ended December 31, 2018:

	Number of Stock Units	Weighted Average Fair Value
Nonvested stock units at beginning of period	116,787	$ 29.46
Granted	68,082	35.15
Stock units vested in prior period and issued in current period	1,467	31.47
Stock units vested and issued	(48,311)	27.06
Forfeited	(7,940)	33.05
Nonvested stock units at end of period	130,085	33.13

The following table summarizes the value of RSUs:

	Years ended December 31,		
	2018	2017	2016
Weighted average fair value of RSUs granted	$ 35.15	$ 30.37	$ 32.08
Intrinsic value of vested RSUs	1,605	896	805
Fair value of vested RSUs	1,268	751	605

As of December 31, 2018, $1,927 of unrecognized compensation costs related to RSUs is expected to be recognized over a weighted average period of approximately 1.4 years. The aggregate intrinsic value of RSUs as of December 31, 2018 was $4,448. The aggregate intrinsic value of RSUs is based on the number of nonvested stock units and the market value of the Company's common stock as of the period end date.

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Stock Options – A stock option represents the option to purchase a number of shares of common stock of the Company as specified in the stock option grant agreement at the exercise price per share as determined by the closing market price of our common stock on the grant date. Stock options are exercisable in installments of 33% annually, starting one year from the grant date and expire ten years from the grant date. The vesting of stock options granted in 2018 and 2017 are subject to the achievement of the following performance goal: the Company achieves at least an adjusted return on equity equal to 150 basis points below the return on equity granted by the Pennsylvania Public Utility Commission during the Company's Pennsylvania subsidiary's last rate proceeding. The adjusted return on equity equals net income, excluding net income or loss from acquisitions which have not yet been incorporated into a rate application as of the last year end, divided by equity which excludes equity applicable to acquisitions which are not yet incorporated in a rate application during the award period.

The fair value of each stock option is amortized into compensation expense using the graded vesting method, which results in the recognition of compensation costs over the requisite service period for each separately vesting tranche of the stock options as though the stock options were, in substance, multiple stock option grants. The following table provides compensation expense and income tax benefit for stock options:

	Years ended December 31,		
	2018	2017	2016
Stock-based compensation within operations and maintenance expenses	$ 546	$ 245	$ -
Income tax benefit	184	208	260

There were no stock options granted during the year ended December 31, 2016.

Options under the plans were issued at the closing market price of the stock on the day of the grant. The fair value of options was estimated at the grant date using the Black-Scholes option-pricing model, which relies on assumptions that require management's judgment. The following table provides the assumptions used in the pricing model for grants and the resulting grant date fair value of stock options granted in the period reported:

	Years ended December 31,	
	2018	2017
Expected term (years)	5.46	5.45
Risk-free interest rate	2.72%	2.01%
Expected volatility	17.2%	17.7%
Dividend yield	2.37%	2.51%
Grant date fair value per option	$ 5.10	$ 4.07

Historical information was the principal basis for the selection of the expected term and dividend yield. The expected volatility is based on a weighted-average combination of historical and implied volatilities over a time period that approximates the expected term of the option. The risk-free interest rate was selected based upon the U.S. Treasury yield curve in effect at the time of grant for the expected term of

the option. The Company assumes that forfeitures will be minimal, and recognizes forfeitures as they occur, which results in a reduction in compensation expense.

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The following table summarizes stock option transactions for the year ended December 31, 2018:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life (years)	Aggregate Intrinsic Value
Outstanding, beginning of year	364,932	$ 19.83		
Granted	169,455	34.56		
Forfeited	(19,359)	32.99		
Expired / Cancelled	(248)	30.47		
Exercised	(91,808)	15.90		
Outstanding at end of year	422,972	$ 25.97	5.7	$ 3,534
Exercisable at end of year	196,267	$ 17.50	2.1	$ 3,276

The intrinsic value of stock options is the amount by which the market price of the stock on a given date, such as at the end of the period or on the day of exercise, exceeded the closing market price of stock on the date of grant. The following table summarizes the intrinsic value of stock options exercised and the fair value of stock options which vested:

	Years ended December 31,		
	2018	2017	2016
Intrinsic value of options exercised	$ 1,806	$ 2,767	$ 2,945
Fair value of options vested	156	-	-

The following table summarizes information about the options outstanding and options exercisable as of December 31, 2018:

	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Range of prices:					
$13.00 - 13.99	89,770	1.1	$ 13.72	89,770	$ 13.72
$14.00 - 15.99	68,719	0.2	15.30	68,719	15.30
$16.00 - 30.99	107,095	8.2	30.47	37,778	30.47
$31.00 - 34.99	157,388	9.2	34.56	-	-
	422,972	5.7	25.97	196,267	17.50

As of December 31, 2018, there was $453 of total unrecognized compensation costs related to nonvested stock options granted under the plans. The cost is expected to be recognized over a weighted average

period of approximately 1.5 years.

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Stock Awards – Stock awards represent the issuance of the Company's common stock, without restriction. Stock awards are granted to the Company's non-employee directors. The issuance of stock awards results in compensation expense which is equal to the fair market value of the stock on the grant date, and is expensed immediately upon grant. The following table provides compensation cost and income tax benefit for stock-based compensation related to stock awards:

	Years ended December 31,		
	2018	2017	2016
Stock-based compensation within operations and maintenance expense	$ 600	$ 563	$ 506
Income tax benefit	173	233	210

The following table summarizes the value of stock awards:

	Years ended December 31,		
	2018	2017	2016
Intrinsic and fair value of stock awards vested	$ 600	$ 563	$ 506
Weighted average fair value of stock awards granted	34.95	34.42	31.87

The following table summarizes stock award transactions for year ended December 31, 2018:

	Number of Stock Awards	Weighted Average Fair Value
Nonvested stock awards at beginning of period	-	$ -
Granted	17,171	34.95
Vested	(17,171)	34.95
Nonvested stock awards at end of period	-	-

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Note 15 – *Pension Plans and Other Post-retirement Benefits*

The Company maintains a qualified, defined benefit pension plan that covers its full-time employees who were hired prior to April 1, 2003. Retirement benefits under the plan are generally based on the employee's total years of service and compensation during the last five years of employment. The Company's policy is to fund the plan annually at a level which is deductible for income tax purposes and which provides assets sufficient to meet its pension obligations over time. To offset some limitations imposed by the Internal Revenue Code with respect to payments under qualified plans, the Company has a non-qualified Supplemental Pension Benefit Plan for Salaried Employees in order to prevent some employees from being penalized by these limitations, and to provide certain retirement benefits based on employee's years of service and compensation. The net pension costs and obligations of the qualified and non-qualified plans are included in the tables which follow. Employees hired after April 1, 2003 may participate in a defined contribution plan that provides a Company matching contribution on amounts contributed by participants and an annual profit-sharing contribution based upon a percentage of the eligible participants' compensation.

Effective July 1, 2015, the Company added a permanent lump sum option to the form of benefit payments offered to participants of the qualified defined benefit pension plan upon retirement or termination. The plan paid $14,872 and $8,858 to participants who elected this option during 2018 and 2017.

In addition to providing pension benefits, the Company offers post-retirement benefits other than pensions to employees hired before April 1, 2003 and retiring with a minimum level of service. These benefits include continuation of medical and prescription drug benefits, or a cash contribution toward such benefits, for eligible retirees and life insurance benefits for eligible retirees. The Company funds these benefits through various trust accounts. The benefits of retired officers and other eligible retirees are paid by the Company and not from plan assets due to limitations imposed by the Internal Revenue Code.

In 2018 and 2016, the Company recognized settlement losses of $5,931 and $2,895, respectively, which resulted from lump sum payments from the qualified or non-qualified plans exceeding the threshold of service and interest cost for the period. A settlement loss is the recognition of unrecognized pension benefit costs that would have been incurred in subsequent periods. The Company recorded these settlement losses as regulatory assets, as it is probable of recovery in future rates, which will be amortized into pension benefit costs.

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(In thousands of dollars, except per share amounts)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated:

	Pension Benefits	Other Post-retirement Benefits
Years:		
2019	$ 19,965	$ 2,326
2020	21,382	2,620
2021	20,331	2,831
2022	21,368	3,043
2023	21,603	3,267
2024-2028	104,822	19,006

The changes in the benefit obligation and fair value of plan assets, the funded status of the plans and the assumptions used in the measurement of the company's benefit obligation are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2018	2017	2018	2017
Change in benefit obligation:				
Benefit obligation at January 1,	$ 320,979	$ 308,172	$ 75,960	$ 69,312
Service cost	3,249	3,174	1,049	1,020
Interest cost	11,495	12,434	2,831	2,947
Actuarial (gain)/loss	(23,080)	18,516	(8,970)	4,047
Plan participants' contributions	-	-	127	124
Benefits paid	(30,679)	(21,317)	(1,554)	(1,490)
Plan amendments	-	-	-	-
Benefit obligation at December 31,	281,964	320,979	69,443	75,960
Change in plan assets:				
Fair value of plan assets at January 1,	270,353	242,360	47,750	46,085
Actual return on plan assets	(16,852)	33,278	(2,599)	5,188
Employer contributions	16,185	16,032	1,636	500
Benefits paid	(30,679)	(21,317)	(1,365)	(1,323)
Asset transfer	-	-	-	(2,700)
Fair value of plan assets at December 31,	239,007	270,353	45,422	47,750
Funded status of plan:				
Net liability recognized at December 31,	$ 42,957	$ 50,626	$ 24,021	$ 28,210

The following table provides the net liability recognized on the consolidated balance sheets at December 31,:

	Pension Benefits		Other Post-retirement Benefits	
	2018	2017	2018	2017
Current liability	$ 267	$ 396	$ -	$ -
Noncurrent liability	42,690	50,230	24,021	28,210
Net liability recognized	$ 42,957	$ 50,626	$ 24,021	$ 28,210

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(In thousands of dollars, except per share amounts)

At December 31, 2018 and 2017, the Company's pension plans had benefit obligations in excess of its plan assets. The following tables provide the projected benefit obligation, the accumulated benefit obligation and fair market value of the plan assets as of December 31,:

	Projected Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2018	2017
Projected benefit obligation	$ 281,964	$ 320,979
Fair value of plan assets	239,007	270,353

	Accumulated Benefit Obligation Exceeds the Fair Value of Plan Assets	
	2018	2017
Accumulated benefit obligation	$ 264,876	$ 301,473
Fair value of plan assets	239,007	270,353

The following table provides the components of net periodic benefit costs for the years ended December 31,:

	Pension Benefits			Other Post-retirement Benefits		
	2018	2017	2016	2018	2017	2016
Service cost	$ 3,249	$ 3,174	$ 3,179	$ 1,049	$ 1,020	$ 1,014
Interest cost	11,495	12,434	13,038	2,831	2,947	2,927
Expected return on plan assets	(18,211)	(17,077)	(16,910)	(2,706)	(2,589)	(2,647)
Amortization of prior service cost (credit)	527	579	578	(509)	(509)	(549)
Amortization of actuarial loss	7,291	8,003	7,153	1,182	1,165	926
Settlement loss	5,931	-	2,895	-	-	-
Special termination benefits	-	-	302	-	-	-
Net periodic benefit cost	$ 10,282	$ 7,113	$ 10,235	$ 1,847	$ 2,034	$ 1,671

The Company records the underfunded status of its pension and other post-retirement benefit plans on its consolidated balance sheets and records a regulatory asset for these costs that would otherwise be charged to stockholders' equity, as the Company anticipates recoverability of the costs through customer rates to be probable. The Company's pension and other post-retirement benefit plans were underfunded at December 31, 2018 and 2017. Changes in the plans' funded status will affect the assets and liabilities recorded on the balance sheet. Due to the Company's regulatory treatment, the recognition of the funded status is recorded as a regulatory asset pursuant to the FASB's accounting guidance for regulated operations.

The following table provides the amounts recognized in regulatory assets that have not been recognized as components of net periodic benefit cost as of December 31,:

Pension Benefits		Other Post-retirement Benefits	
2018	2017	2018	2017

Net actuarial loss	$ 85,510	$ 86,750	$ 10,876	$ 15,724
Prior service cost (credit)	2,734	3,262	(1,360)	(1,869)
Total recognized in regulatory assets	$ 88,244	$ 90,012	$ 9,516	$ 13,855

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(In thousands of dollars, except per share amounts)

The following table provides the estimated net actuarial loss and prior service cost for the Company's pension plans that will be amortized from regulatory asset into net periodic benefit cost for the year ending December 31, 2018:

	Pension Benefits	Other Post-retirement Benefits
Net actuarial loss	$ 7,927	$ 664
Prior service cost (credit)	620	(464)

Accounting for pensions and other post-retirement benefits requires an extensive use of assumptions about the discount rate, expected return on plan assets, the rate of future compensation increases received by the Company's employees, mortality, turnover and medical costs. Each assumption is reviewed annually with assistance from the Company's actuarial consultant who provides guidance in establishing the assumptions. The assumptions are selected to represent the average expected experience over time and may differ in any one year from actual experience due to changes in capital markets and the overall economy. These differences will impact the amount of pension and other post-retirement benefit expense that the Company recognizes.

The significant assumptions related to the Company's benefit obligations are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2018	2017	2018	2017
Weighted Average Assumptions Used to Determine Benefit Obligations as of December 31,				
Discount rate	4.30%	3.66%	4.34%	3.73%
Rate of compensation increase	3.0-4.0%	3.0-4.0%	n/a	n/a
Assumed Health Care Cost Trend Rates Used to Determine Benefit Obligations as of December 31,				
Health care cost trend rate	n/a	n/a	6.6%	7.0%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	2022	2022

n/a – Assumption is not applicable.

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The significant assumptions related to the Company's net periodic benefit costs are as follows:

	Pension Benefits			Other Post-retirement Benefits		
	2018	2017	2016	2018	2017	2016
Weighted Average Assumptions Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Discount rate	3.66%	4.13%	4.48%	3.73%	4.25%	4.60%
Expected return on plan assets	6.75%	7.00%	7.25%	4.25-6.75%	4.67-7.00%	4.83-7.25%
Rate of compensation increase	3.0-4.0%	3.0-4.0%	3.0-4.0%	n/a	n/a	n/a
Assumed Health Care Cost Trend Rates Used to Determine Net Periodic Benefit Costs for Years Ended December 31,						
Health care cost trend rate	n/a	n/a	n/a	7.0%	6.6%	7.0%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	n/a	n/a	n/a	5.0%	5.0%	5.0%
Year that the rate reaches the ultimate trend rate	n/a	n/a	n/a	2023	2021	2021

n/a – Assumption is not applicable.

Assumed health-care trend rates have a significant effect on the expense and liabilities for other post-retirement benefit plans. The health care trend rate is based on historical rates and expected market conditions. A one-percentage point change in the assumed health-care cost trend rates would have the following effects:

	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on the health-care component of the accrued other post-retirement benefit obligation	$ 4,348	$ (3,917)
Effect on aggregate service and interest cost components of net periodic post-retirement health-care benefit cost	$ 255	$ (233)

The Company's discount rate assumption, which is utilized to calculate the present value of the projected benefit payments of our post-retirement benefits, was determined by selecting a hypothetical portfolio of high quality corporate bonds appropriate to match the projected benefit payments of the plans. The selected bond portfolio was derived from a universe of Aa-graded corporate bonds, all of which were noncallable (or callable with make-whole provisions), and have at least $50,000 in outstanding value. The discount rate was then developed as the rate that equates the market value of the bonds purchased to the discounted value of the plan's benefit payments. The Company's pension expense and liability (benefit obligations) increases as the discount rate is reduced.

The Company's expected return on plan assets is determined by evaluating the asset class return

expectations with its advisors as well as actual, long-term, historical results of our asset returns. The Company's market related value of plan assets is equal to the fair value of the plan's assets as of the last day of its fiscal year, and is a determinant for the expected return on plan assets which is a component of post-retirement benefits expense. The Company's pension expense increases as the expected return on plan assets decreases. For 2018, the Company used a 6.75% expected return on plan assets assumption which will decrease to 6.50% for 2019. The Company believes its actual long-term asset allocation on average will approximate the targeted allocation. The Company's investment strategy is to earn a reasonable rate of return while maintaining risk at acceptable levels. Risk is managed through fixed income investments to manage interest rate exposures that impact the valuation of liabilities and through the diversification of investments across and within

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various asset categories. Investment returns are compared to a total plan benchmark constructed by applying the plan's asset allocation target weightings to passive index returns representative of the respective asset classes in which the plan invests. The Retirement and Employee Benefits Committee meets quarterly to review plan investments and management monitors investment performance quarterly through a performance report prepared by an external consulting firm.

The Company's pension plan asset allocation and the target allocation by asset class are as follows:

		Percentage of Plan Assets at December 31,	
	Target Allocation	2018	2017
Return seeking assets	50 to 70%	58%	64%
Liability hedging assets	30 to 50%	42%	36%
Total	100%	100%	100%

The fair value of the Company's pension plans' assets at December 31, 2018 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Common stock	$ 12,268	$ -	$ -	$ -	$ 12,268
Return seeking assets:					
Global equities	-	-	-	48,040	48,040
Real estate securities	-	-	-	15,766	15,766
Hedge / diversifying strategies	-	-	-	37,591	37,591
Credit	-	-	-	25,772	25,772
Liability hedging assets	-	-	-	97,756	97,756
Cash and cash equivalents	1,814	-	-	-	1,814
Total pension assets	$ 14,082	$ -	$ -	$ 224,925	$ 239,007

(a) Assets that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

The fair value of the Company's pension plans' assets at December 31, 2017 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Common stock	$ 26,902	$ -	$ -	$ -	$ 26,902
Return seeking assets:					
Global equities	-	-	-	66,281	66,281
Real estate securities	-	-	-	14,110	14,110
Hedge / diversifying strategies	-	-	-	38,143	38,143
Credit	-	-	-	28,395	28,395
Liability hedging assets	-	-	-	91,872	91,872
Cash and cash equivalents	4,650		-	-	4,650

Total pension assets	$ 31,552	$ -	$ -	$ 238,801	$ 270,353

Equity securities include our common stock in the amounts of $12,393 or 5.1% and 16,471 or 6.1% of total pension plans' assets as of December 31, 2018 and 2017, respectively.

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The asset allocation for the Company's other post-retirement benefit plans and the target allocation by asset class are as follows:

		Percentage of Plan Assets at December 31,	
	Target Allocation	2018	2017
Return seeking assets	50 to 70%	60%	62%
Liability hedging assets	30 to 50%	40%	38%
Total	100%	100%	100%

The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2018 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Return seeking assets:					
Global equities	$ 8,411	$ -	$ -	$ 13,882	$ 22,293
Real estate securities	1,967	-	-	3,065	5,032
Liability hedging assets	5,075	-	-	8,806	13,881
Cash and cash equivalents	4,216	-	-	-	4,216
Total other post-retirement assets	$ 19,669	$ -	$ -	$ 25,753	$ 45,422

(a) Assets that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

The fair value of the Company's other post-retirement benefit plans' assets at December 31, 2017 by asset class are as follows:

	Level 1	Level 2	Level 3	Assets measured at NAV (a)	Total
Return seeking assets:					
Global equities	$ 9,477	$ -	$ -	$ 15,158	$ 24,635
Real estate securities	1,731	-	-	3,211	4,942
Liability hedging assets	5,265	-	-	8,961	14,226
Cash and cash equivalents	3,947	-	-	-	3,947
Total other post-retirement assets	$ 20,420	$ -	$ -	$ 27,330	$ 47,750

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Valuation Techniques Used to Determine Fair Value

- *Common Stocks* - Investments in common stocks are valued using unadjusted quoted prices obtained from active markets.
- *Return Seeking Assets* – Investments in return seeking assets consists of the following:
    - Global equities, which consist of common and preferred shares of stock, traded on U.S. or foreign exchanges that are valued using unadjusted quoted prices obtained from active markets, or commingled fund vehicles, consisting of such securities valued using NAV, which are not classified within the fair value hierarchy.
    - Real estate securities, which consist of securities, traded on U.S. or foreign exchanges that are valued using unadjusted quoted prices obtained from active markets, or for real estate commingle fund vehicles that are not publicly quoted, the fund administrators value the funds using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
    - Hedge / diversifying strategies, which consist of a multi-manager fund vehicle having underlying exposures that collectively seek to provide low correlation of return to equity and fixed income markets, thereby offering diversification. As a multi-manager fund investment, NAV is derived from underlying manager NAVs, which are derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
    - Credit, which consist of certain opportunistic, return-oriented credits which primarily include below investment grade bonds (i.e. high yield bonds), bank loans, and securitized debt. Credits are valued using the NAV per fund share, derived from either quoted prices in active markets of the underlying securities, or less active markets, or quotes of similar assets, and are not classified within the fair value hierarchy.
- *Liability Hedging Assets* – Investments in liability hedging assets consist of funds investing in high-quality fixed income (i.e. U.S. Treasury securities and government bonds), and for funds for which market quotations are readily available, are valued at the last reported closing price on the primary market or exchange on which they are traded. Funds for which market quotations are not readily available, are valued using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities and are not classified within the fair value hierarchy.
- *Cash and Cash Equivalents* – Investments in cash and cash equivalents are comprised of both uninvested cash and money market funds. The uninvested cash is valued based on its carrying value, and the money market funds are valued utilizing the net asset value per unit obtained from published market prices.

Funding requirements for qualified defined benefit pension plans are determined by government regulations and not by accounting pronouncements. In accordance with funding rules and the Company's funding policy, during 2019 our pension contribution is expected to be $8,222.

The Company has a 401(k) savings plan, which is a defined contribution plan and covers substantially all

employees. The Company makes matching contributions that are based on a percentage of an employee's contribution, subject to specific limitations, as well as, non-discretionary contributions based on eligible hourly wages for certain union employees, discretionary year-end contributions based on an employee's eligible compensation, and employer profit sharing contributions. Participants may diversify their Company matching account balances into other investments offered under the 401(k) savings plan. The Company's contributions, which are recorded as compensation expense, were $6,096, $5,374, and $4,988, for the years ended December 31, 2018, 2017, and 2016, respectively.

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Note 16 – *Water and Wastewater Rates*

On June 7, 2012, Aqua Pennsylvania reached a settlement agreement in its rate filing with the Pennsylvania Public Utility Commission, which in addition to a water rate increase, provided for a reduction in current income tax expense as a result of the recognition of qualifying income tax benefits upon Aqua Pennsylvania changing its tax accounting method to permit the expensing of qualifying utility asset improvement costs that historically have been capitalized and depreciated for book and tax purposes. In December 2012, Aqua Pennsylvania implemented this change which provides for the flow-through of income tax benefits that resulted in a substantial reduction in income tax expense and greater net income and cash flow. This change allowed Aqua Pennsylvania to suspend its water Distribution System Improvement Charges in 2013 and lengthen the amount of time until the next Aqua Pennsylvania rate case. Beginning on October 1, 2017, Aqua Pennsylvania initiated a water infrastructure rehabilitation surcharge for the capital invested since the last rate proceeding and in August 2018 filed for a base rate increase in water and wastewater rates for its customers. The base rate case is being reviewed by the Pennsylvania Public Utility Commission. In February 2019, the Company filed a settlement for this base rate case. Rates from this settlement for approximately $47,000 are expected to go into effect in May 2019. The settlement agreement is subject to approval by the administrative law judge and the Pennsylvania Public Utilities Commission.

The Company's operating subsidiaries were allowed annualized rate increases of $11,558 in 2018, $7,558 in 2017, and $3,434 in 2016, represented by five, five, and six rate decisions, respectively. Revenues from these increases realized in the year of grant were approximately $7,270, $6,343, and $1,788 in 2018, 2017, and 2016, respectively.

Seven states in which the Company operates permit water utilities, and in six states wastewater utilities, to add a surcharge to their water or wastewater bills to offset the additional depreciation and capital costs related to infrastructure system replacement and rehabilitation projects completed and placed into service between base rate filings. Currently, New Jersey allows for an infrastructure rehabilitation surcharge for water utilities, while Pennsylvania, Illinois, Ohio, Indiana, and North Carolina allow for the use of an infrastructure rehabilitation surcharge for both water and wastewater utility systems, and Aqua Virginia is piloting an infrastructure rehabilitation surcharge for its water and wastewater utilities to be implemented in 2019, pursuant to the final order issued in Aqua Virginia's 2018 rate case . The surcharge for infrastructure system replacements and rehabilitations is typically adjusted periodically based on additional qualified capital expenditures completed or anticipated in a future period, is capped as a percentage of base rates, generally at 5% to 12.75%, and is reset to zero when new base rates that reflect the costs of those additions become effective or when a utility's earnings exceed a regulatory benchmark. The surcharge for infrastructure system replacements and rehabilitations provided revenues in 2018, 2017, and 2016 of $31,836, $10,255, and $7,379, respectively.

Note 17 – *Segment Information*

The Company has ten operating segments and one reportable segment. The Regulated segment, the Company's single reportable segment, is comprised of eight operating segments representing our water and wastewater regulated utility companies which are organized by the states where we provide water and wastewater services. These operating segments are aggregated into one reportable segment since each of these operating segments has the following similarities: economic characteristics, nature of services,

production processes, customers, water distribution or wastewater collection methods, and the nature of the regulatory environment.

Two operating segments are included within the Other category below. These segments are not quantitatively significant and are comprised of Aqua Infrastructure and Aqua Resources. In addition to these segments, Other is comprised of other business activities not included in the reportable segment, including corporate costs that have not been allocated to the Regulated segment, because they would not be recoverable as a cost of utility service, and intersegment eliminations. Corporate costs include general and administrative expenses, and interest expense.

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AQUA AMERICA, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (continued)

(In thousands of dollars, except per share amounts)

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

	2018			2017		
	Regulated	Other and Eliminations	Consolidated	Regulated	Other and Eliminations	Consolidated
Operating revenues	$ 834,638	$ 3,453	$ 838,091	$ 804,905	$ 4,620	$ 809,525
Operations and maintenance expense	292,232	16,246	308,478	282,009	244	282,253
Depreciation	145,977	55	146,032	136,246	56	136,302
Amortization	401	240	641	240	182	422
Operating income (loss)	338,388	(15,210)	323,178	331,888	2,032	333,920
Interest expense, net	89,112	9,790	98,902	81,974	6,367	88,341
Allowance for funds used during construction	13,023	-	13,023	15,211	-	15,211
Equity earnings in joint venture	-	2,081	2,081	-	331	331
Provision for income taxes (benefit)	4,158	(17,827)	(13,669)	14,107	2,807	16,914
Net income (loss)	259,160	(67,172)	191,988	246,548	(6,810)	239,738
Capital expenditures	495,730	7	495,737	478,077	12	478,089
Total assets	6,807,960	156,536	6,964,496	6,236,109	96,354	6,332,463

	2016		
	Regulated	Other and Eliminations	Consolidated
Operating revenues	$ 800,107	$ 19,768	$ 819,875
Operations and maintenance expense	277,634	19,550	297,184
Depreciation	131,835	(848)	130,987
Amortization	2,076	(55)	2,021
Operating income (loss)	334,646	(1,348)	333,298
Interest expense, net	76,222	4,372	80,594
Allowance for funds used during construction	8,815	-	8,815
Equity earnings in joint venture	-	976	976
Provision for income taxes (benefit)	24,956	(3,978)	20,978
Net income (loss)	234,922	(740)	234,182
Capital expenditures	381,965	1,031	382,996
Total assets	6,066,477	92,514	6,158,991

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Selected Quarterly Financial Data (Unaudited)

Aqua America, Inc. and Subsidiaries

(In thousands of dollars, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2018					
Operating revenues	$ 194,347	$ 211,860	$ 226,137	$ 205,747	$ 838,091
Operations and maintenance expense	73,946	73,515	68,624	92,393	308,478
Operating income	69,337	86,754	104,293	62,794	323,178
Net income (loss)	50,839	66,590	78,216	(3,657)	191,988
Basic net income (loss) per common share	0.29	0.37	0.44	(0.02)	1.08
Diluted net income (loss) per common share	0.29	0.37	0.44	(0.02)	1.08
Dividend paid per common share	0.2047	0.2047	0.2190	0.2190	0.8474
Dividend declared per common share	0.2047	0.2047	0.2190	0.2190	0.8474
2017					
Operating revenues	$ 187,787	$ 203,418	$ 215,008	$ 203,312	$ 809,525
Operations and maintenance expense	67,890	69,615	66,744	78,004	282,253
Operating income	71,134	85,850	98,724	78,212	333,920
Net income	49,072	60,968	76,225	53,473	239,738
Basic net income per common share	0.28	0.34	0.43	0.30	1.35
Diluted net income per common share	0.28	0.34	0.43	0.30	1.35
Dividend paid per common share	0.1913	0.1913	0.2047	0.2047	0.7920
Dividend declared per common share	0.1913	0.1913	0.2047	0.2047	0.7920

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

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Item 9A. *Controls and Procedures*

(a) Evaluation of Disclosure Controls and Procedures – Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Annual Report are effective to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Management's Report on Internal Control Over Financial Reporting
Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In assessing the effectiveness of internal control over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework* (2013). As a result of management's assessment and based on the criteria in the framework, management has concluded that, as of December 31, 2018, the Company's internal control over financial reporting was effective.

(c) Attestation Report of the Registered Public Accounting Firm – The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

(d) Changes in Internal Control Over Financial Reporting – No change in our internal control over financial

reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None.

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PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information appearing in the sections captioned *Information Regarding Nominees and Directors*, *Corporate Governance – Code of Ethics, – Board and Board Committees*, and *Section 16(a) Beneficial Ownership Reporting Compliance* of the definitive Proxy Statement relating to our 2019, annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K (the "Form 10-K), is incorporated by reference herein.

We make available free of charge within the Corporate Governance portion of the investor relations section of our web site, at www.aquaamerica.com, our Corporate Governance Guidelines, the Charters of each Committee of our Board of Directors, and our Code of Ethical Business Conduct (the "Code of Ethics"). Amendments to the Code of Ethics, and any grant of a waiver from a provision of the Code requiring disclosure under applicable rules of the SEC, will be disclosed on our web site. The reference to our web site is intended to be an inactive textual reference only, and the contents of such web site are not incorporated by reference herein and should not be considered part of this or any other report that we file with or furnish to the SEC.

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Our Executive Officers

The following table and the notes thereto set forth information with respect to our executive officers, including their names, ages, positions with Aqua America and business experience during the last five years:

Name	Age	Position with Aqua America (1)
Christopher H. Franklin	53	Chairman (January 2018 to present); President and Chief Executive Officer (July 2015 to present); Executive Vice President and President and Chief Operating Officer, Regulated Operations (January 2012 to July 2015); Regional President – Midwest and Southern Operations and Senior Vice President, Corporate and Public Affairs (January 2010 to January 2012); Regional President, Aqua America – Southern Operations and Senior Vice President, Public Affairs and Customer Operations (February 2007 to January 2010); Vice President, Public Affairs and Customer Operations (May 2005 to February 2007); Vice President, Corporate and Public Affairs (February 1997 to May 2005); Manager Corporate and Public Affairs (December 1992 to February 1997)
Daniel J. Schuller	49	Executive Vice President and Chief Financial Officer (October 2018 to present); Executive Vice President, Strategy and Corporate Development (July 2015 to October 2018); Investment Principal – J.P. Morgan Asset Management – Infrastructure Investments Group (2007 to 2015)
Richard S. Fox	57	Executive Vice President and Chief Operating Officer (July 2015 to present); Regional President, Regulated Utilities (January 2012 to July 2015); President Aqua Utilities, Florida, Inc. (August 2011 to January 2012); Vice President, Customer Service (June 2002 to August 2011)
Christopher P. Luning	51	Senior Vice President, General Counsel, and Secretary (April 2012 to present); Vice President Corporate Development and Corporate Counsel (June 2008 to April 2012); Vice President and Deputy General Counsel (May 2005 to June 2008); Assistant General Counsel (March 2003 to May 2005)
Matthew R. Rhodes	41	Executive Vice President, Strategy and Corporate Development (June 2018 to present); Managing Director - Goldman Sachs, Global Natural Resources (July 2007 to April 2018)

Robert A. Rubin	56	Senior Vice President, Controller and Chief Accounting Officer (January 2012 to present); Vice President, Controller and Chief Accounting Officer (May 2005 to January 2012); Controller and Chief Accounting Officer (March 2004 to May 2005); Controller (March 1999 to March 2004); Assistant Controller (June 1994 to March 1999); Accounting Manager (June 1989 to June 1994)

(1) In addition to the capacities indicated, the individuals named in the above table hold other offices or directorships with subsidiaries of the Company. Officers serve at the discretion of the Board of Directors.

Item 11. *Executive Compensation*

The information appearing in the sections captioned *Executive Compensation* and *Director Compensation* of the definitive Proxy Statement relating to our 2019 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K, is incorporated by reference herein.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

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Ownership of Common Stock - The information appearing in the section captioned Ownership of Common Stock of the Proxy Statement relating to our 2019 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K, is incorporated by reference herein.

Securities Authorized for Issuance under Equity Compensation Plans - The following table provides information for our equity compensation plans as of December 31, 2018:

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	996,467 (1)	$ 25.97 (2)	3,374,238
Equity compensation plans not approved by security holders	-	-	-
Total	996,467	$ 25.97	3,374,238

(1) Consists of 422,972 shares issuable upon exercise of outstanding options, 443,410 shares issuable upon conversion of outstanding performance share units, and 130,085 shares issuable upon conversion of outstanding restricted share units.

(2) Calculated based upon outstanding options of 422,972 shares of our common stock.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information appearing in the sections captioned *Corporate Governance – Director Independence* and *– Policies and Procedures For Approval of Related Person Transactions* of the definitive Proxy Statement relating to our 2019 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K, is incorporated by reference herein.

Item 14. *Principal Accountant Fees and Services*

The information appearing in the section captioned *Proposal No. 2 – Services and Fees* of the definitive Proxy Statement relating to our 2019 annual meeting of shareholders, to be filed within 120 days after the end of the fiscal year covered by this Form 10-K, is incorporated by reference herein.

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PART IV

Item 15. *Exhibits and Financial Statement Schedules*

Financial Statements. The consolidated financial statements and supplementary data included in Part II, Item 8 are hereby incorporated by reference herein.

Financial Statement Schedules.

Schedule 1. – Condensed Parent Company Financial Statements. All other schedules are omitted because they are not applicable or not required, or because the required information is included in the consolidated financial statements or notes thereto.

Exhibits, Including Those Incorporated by Reference. A list of exhibits filed as part of this Form 10-K is set forth in the Exhibit Index hereto which is incorporated by reference herein. Where so indicated, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in the exhibit index.

Item 16. *Form 10-K Summary*

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Company has elected not to include such summary information in this Annual Report.

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference to			
		Form	File No.	Exhibit(s)	Filing Date
2.1	Purchase Agreement, dated October 22, 2018 by and between LDC Parent LLC, a Delaware limited liability company ("Seller") and Aqua America, Inc., a Pennsylvania corporation	8-K	001-06659	2.1	October 23, 2018
3.1	Amended and Restated Articles of Incorporation of Aqua America, Inc., dated as of May 10, 2012	8-K	001-06659	3.1	May 11, 2012
3.2	Amended and Restated Bylaws of Aqua America, Inc. (amended and restated as of August 8, 2018)	8-K	001-06659	3.1	August 10, 2018
4.1.1	Indenture of Mortgage dated as of January 1, 1941 between Aqua Pennsylvania, Inc. (f/k/a Philadelphia Suburban Water Company) and The Bank of New York Mellon Trust Company, as successor trustee to First Pennsylvania Bank, N.A. (f/k/a The Pennsylvania Company for Insurance on Lives and Granting Annuities)	10-K	001-06659	4.1.1	February 26, 2016
4.1.2	Twenty-sixth Supplemental Indenture dated as of November 1, 1991	10-K	001-06659	4.1.3	February 26, 2016
4.1.3	Twenty-ninth Supplemental Indenture dated as of March 30, 1995	10-Q	001-06659	4.17	May 10, 1995
4.1.4	Thirty-third Supplemental Indenture, dated as of November 15, 1999	10-K	001-06659	4.27	March 29, 2000
4.1.5	Thirty-fifth Supplemental Indenture, dated as of January 1, 2002	10-K	001-06659	4.22	March 20, 2002
4.1.6	Forty-fourth Supplemental Indenture, dated as of July 1, 2009	10-Q	001-06659	4.38	August 6, 2009
4.1.7	Forty-fifth Supplemental Indenture, dated as of October 15, 2009	10-K	001-06659	4.39	February 26, 2010
4.1.8	Forty-sixth Supplemental Indenture, dated as of October 15, 2010	10-K	001-06659	4.35	February 25, 2011
4.1.9	Forty-seventh Supplemental Indenture, dated as of October 15, 2012	10-K	001-06659	4.24	February 28, 2013

4.1.10	Forty-eighth Supplemental Indenture, dated as of October 1, 2013	10-K	001-06659	4.1.17	March 3, 2014
4.1.11	Form of Supplemental Indenture during and after 2014	10-K	001-06659	4.1.15	February 26, 2016
4.1.11.1	Schedule of Outstanding Supplemental Indentures during and after 2014	^	^	^	^

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4.2	Note Purchase Agreement, dated July 31, 2003, by and among the Aqua America, Inc. and the note purchasers thereto	10-Q	001-06659	4.27	November 13, 2003
4.3	Bond Purchase Agreement, dated June 30, 2009, by and among the Pennsylvania Economic Development Financing Authority, Aqua Pennsylvania, Inc., Jeffries and Company, Inc., and Janney Montgomery Scott LLC	10-Q	001-06659	10.52	August 6, 2009
4.4	Bond Purchase Agreement, dated October 20, 2009, by and among the Pennsylvania Economic Development Financing Authority, Aqua Pennsylvania, Inc., Jeffries and Company, Inc., Janney Montgomery Scott LLC, and PNC Capital Markets LLC	10-K	001-06659	10.59	February 26, 2010
4.5	Bond Purchase Agreement, dated October 27, 2010, by and among the Pennsylvania Economic Development Financing Authority, Aqua Pennsylvania, Inc., Jeffries and Company, Inc., PNC Capital Markets LLC, and TD Securities (USA) LLC	10-K	001-06659	10.51	February 25, 2011
4.6	Bond Purchase Agreement , dated November 8, 2012, by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Association, John Hancock Life Insurance Company, John Hancock Life Insurance Company of New York, John Hancock Life & Health Insurance Company, The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, Minnesota Life Insurance Company, United Health Care Insurance Company, American Republic Insurance Company, Western Fraternal Life Association	10-K	001-06659	10.54	February 28, 2013
4.7	Bond Purchase Agreement, dated October 24, 2013, by and among Aqua Pennsylvania, Inc., John	10-K	001-06659	10.45	March 3, 2014

	Hancock Life Insurance Company (U.S.A), John Hancock Life Insurance Company of New York, John Hancock Life & Health Insurance Company, The Lincoln National Life Insurance Company, Thrivent Financial for Lutherans, United Insurance Company of America, Equitable Life & Casualty Insurance Company, Catholic United Financial, and Great Western Insurance Company				

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4.8	Bond Purchase Agreement, dated December 29, 2014, by and among Aqua Pennsylvania, Inc., Thrivent Financial for Lutherans, State Farm Life Insurance Company, John Hancock Life Insurance Company (U.S.A), Phoenix Life Insurance Company, PHL Variable Insurance Company, United of Omaha Life Insurance Company, Mutual of Omaha Insurance Company, and Companion Life Insurance Company	10-K	001-06659	10.58	February 27, 2015
4.9	Bond Purchase Agreement, dated December 3, 2015 by and among Aqua Pennsylvania, Inc., Thrivent Financial for Lutherans, State Farm Life Insurance Company, John Hancock Life Insurance Company (U.S.A), The Lincoln National Life Insurance Company, Teachers Insurance And Annuity Association Of America, CMFG Life Insurance Company, Genworth Life Insurance Company, Phoenix Life Insurance Company, PHL Variable Insurance Company, United Of Omaha Life Insurance Company, The State Life Insurance Company, Pioneer Mutual Life Insurance Company, MONY Life Insurance Company	10-K	001-06659	4.12	February 26, 2016
4.10	Note Purchase Agreement, dated November 3, 2016, by and among Aqua America Inc. and the note purchasers thereto	10-K	001-06659	4.13	February 24, 2017
4.11	Bond Purchase Agreement, dated December 15, 2016 by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Association of America, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, John Hancock Life Insurance Company, American Equity Investment Life Insurance Company, Genworth Life and Annuity Insurance Company, Phoenix Life Insurance Company, PHL Variable Insurance Company, American United Life Insurance	10-K	001-06659	4.14	February 24, 2017

	Company, The State Life Insurance Company, and Pioneer Mutual Life Insurance Company				
4.12	Bond Purchase Agreement, dated July 10, 2017 by and among Aqua Illinois, Inc., Teachers Insurance and Annuity Association of America	10-Q	001-06659	4.1	November 2, 2017
4.13	Bond Purchase Agreement, dated July 20, 2017 by and among Aqua Pennsylvania, Inc., New York Life Insurance Company, New York Life Insurance and Annuity Corporation, New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 3), New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 3-2)	10-Q	001-06659	4.2	November 2, 2017

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4.14	Bond Purchase Agreement, dated June 29, 2018, by and among Aqua Pennsylvania, Inc., CMFG Life Insurance Company, Manufactures Life Reinsurance Limited, The Lincoln National Life Insurance Company, New York Life Insurance Company, The State Life Insurance Company, and Phoenix Life Insurance Company	10-Q	001-06659	4.1	August 3, 2018
4.15	Bond Purchase Agreement, dated November 15, 2018, by and among Aqua Pennsylvania, Inc., Teachers Insurance and Annuity Associated of America, American United Life Insurance Company, Pioneer Mutual Life Insurance Company, The State Life Insurance Company, The Lincoln National Life Insurance Company, Lincoln Life & Annuity Company of New York, and United of Omaha Life Insurance Company	^	^	^	^
10.1	Revolving Credit Agreement, dated December 5, 2018, between Aqua America, Inc. and PNC Bank, National Association, CoBank, ACB, Bank of America, N.A., Barclays Bank PLC, Citizens Bank, N.A., Morgan Stanley Bank, N.A., MUFG Bank, Ltd., Royal Bank of Canada, The Huntington National Bank, and Wells Fargo Bank, N.A.	^	^	^	^
10.2	Amended and Restated Revolving Credit Agreement, dated as of November 17, 2016 between Aqua Pennsylvania and PNC Bank, National Association, TD Bank, N.A., Citizens Bank of Pennsylvania, and Huntington National Bank	10-K	001-06659	10.2.4	February 24, 2017
10.2.1	First Amendment to Revolving Credit Agreement, dated as of November 16, 2017 between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank of Pennsylvania, TD Bank, N.A., and Huntington National Bank	10-K	001-06659	10.1.5	February 28, 2018

10.2.2	Second Amendment to Revolving Credit Agreement, dated as of November 9, 2018 between Aqua Pennsylvania and PNC Bank, National Association, Citizens Bank of Pennsylvania, TD Bank, N.A., and Huntington National Bank	^	^	^	^
10.3	Aqua America, Inc. Deferred Compensation Plan Master Trust Agreement with PNC Bank, National Association, dated as of December 31, 1996*	10-K	001-06659	10.24	March 25, 1997
10.3.1	Amendment 2008-1 to the Aqua America, Inc. Deferred Compensation Plan Master Trust Agreement, dated as of December 15, 2008*	10-K	001-06659	10.50	February 27, 2009
10.4	Aqua America, Inc. 2009 Executive Deferral Plan (as amended and restated effective January 1, 2009)*	S-8	333-156047	4.1	December 10, 2008

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10.5	Aqua America, Inc. Supplemental Pension Benefit Plan for Salaried Employees (as amended and restated effective January 1, 2011)*	10-K	001-06659	10.58	February 27, 2012
10.6	Aqua America. Inc. Dividend Reinvestment and Direct Stock Purchase Plan*	S-3ASR	333-219545	N/A	July 28, 2017
10.7	Aqua America, Inc. 2004 Equity Compensation Plan (as amended and restated as of January 1, 2009)*	10-K	001-06659	10.36	February 27, 2009
10.7.1	Form of Incentive Stock Option and Dividend Equivalent Grant Agreement*	10-K	001-06659	10.49	February 27, 2009
10.7.2	Form of Amendment to Incentive Stock Option and Dividend Equivalent Grant Agreements for executive officers *	10-K	001-06659	10.8.2	February 26, 2016
10.8	Aqua America, Inc. 2009 Omnibus Equity Compensation Plan (as amended effective February 22, 2017) *	10-K	001-06659	10.8	February 24, 2017
10.8.1	Form of Performance-Based Share Unit Grant for Chief Executive Officer*	10-K	001-06659	10.9.1	February 26, 2016
10.8.2	Performance-Based Share Unit Grant Terms and Conditions for Chief Executive Officer*	10-Q	001-06659	10.51(B)	May 8, 2014
10.8.3	Form of Performance-Based Share Unit Grant for all other executive officers*	10-Q	001-06659	10.36	May 6, 2015
10.8.4	Performance-Based Share Unit Grant Terms and Conditions for all other executive officers*	10-Q	001-06659	10.37	May 6, 2015
10.8.5	Form of Restricted Stock Unit Grant for Chief Executive Officer*	10-K	001-06659	10.9.5	February 26, 2016
10.8.6	Restricted Stock Unit Grant Terms and Conditions for Chief Executive Officer*	10-Q	001-06659	10.52(B)	May 8, 2014
10.8.7	Form of Restricted Stock Unit Grant for all other executive officers*	10-Q	001-06659	10.40	May 6, 2015
10.8.8	Restricted Stock Unit Grant Terms and Conditions for all other executive officers*	10-Q	001-06659	10.41	May 6, 2015
10.8.9	Performance-Based Share Unit Grant Terms and Conditions*	10-Q	001-06659	10.1	May 4, 2017

10.8.10	Restricted Stock Unit Grant Terms and Conditions for Chief Executive Officer*	10-Q	001-06659	10.2	May 4, 2017
10.8.11	Restricted Stock Unit Grant Terms and Conditions for all other executive officers*	10-Q	001-06659	10.3	May 4, 2017
10.8.12	Stock Option Grant Terms and Conditions*	10-Q	001-06659	10.4	May 4, 2017
10.9	Aqua America, Inc. 2012 Employee Stock Purchase Plan*	10-K	001-06659	10.10	February 26, 2016
10.10	Aqua America, Inc. and Subsidiaries Annual Cash Incentive Compensation Plan (adopted February 26, 2013)*	10-K	001-06659	10.56	February 28, 2013
10.11	Form of Change in Control Agreement between the Company and executive officers*	10-Q	001-06659	10.1	November 6, 2015
10.11.1	Schedule of Change in Control Agreement between the Company and executive officers*	^	^	^	^
10.12	Change in Control Agreement, dated December 31, 2008, between Aqua America, Inc. and Christopher H. Franklin*	10-K	001-06659	10.46	February 27, 2009

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10.13	Non-Employee Directors' Compensation effective January 1, 2018*	8-K	001-06659	10.1	December 15, 2017
10.14	Non-Employee Directors' Compensation effective January 1, 2019*	8-K	001-06659	10.1	December 14, 2018
10.15	Employment Agreement dated July 1, 2018 between Aqua America, Inc. and Christopher Franklin*	8-K	001-06659	10.1	July 6, 2018
21.1	Subsidiaries of Aqua America, Inc.	^	^	^	^
23.1	Consent of Independent Registered Public Accounting Firm – PricewaterhouseCoopers LLP	^	^	^	^
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934	^	^	^	^
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934	^	^	^	^
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350	^^	^^	^^	^^
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350	^^	^^	^^	^^
101.INS	XBRL Instance Document	^	^	^	^
101.SCH	XBRL Taxonomy Extension Schema Document	^	^	^	^
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	^	^	^	^
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	^	^	^	^
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	^	^	^	^
101.PRES	XBRL Taxonomy Extension Presentation Linkbase Document	^	^	^	^

In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, copies of specific instruments defining the rights of holders of long-term debt of the Company or its subsidiaries are not filed herewith. Pursuant to this regulation, we hereby agree to furnish a copy of any such instrument to the SEC upon request.

*Indicates management contract or compensatory plan or arrangement

^ Filed herewith

^^Furnished herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AQUA AMERICA, INC.

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

Date: February 26, 2019

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Pursuant to the requirements of the Securities and Exchange Act of 1934, this report on Form 10-K has been signed below by the following persons on behalf of the Registrant on February 26, 2019 in the capacities indicated below.

Signature	Title
/s/ Christopher H. Franklin Christopher H. Franklin	Chairman, President and Chief Executive Officer, Director (Principal Executive Officer)
/s/ Daniel J. Schuller Daniel J. Schuller	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
/s/ Robert A. Rubin Robert A. Rubin	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)
/s/ Elizabeth B. Amato Elizabeth B. Amato	Director
/s/ Carolyn J. Burke Carolyn J. Burke	Director
/s/ Nicholas DeBenedictis Nicholas DeBenedictis	Chairman Emeritus
/s/ William P. Hankowsky William P. Hankowsky	Director
/s/ Daniel J. Hilferty Daniel J. Hilferty	Director
/s/ Wendell F. Holland Wendell F. Holland	Director
/s/ Ellen T. Ruff Ellen T. Ruff	Director
/s/ Lee C. Stewart Lee C. Stewart	Director

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Aqua America, Inc.

Schedule 1 – Condensed Parent Company Financial Statements

Condensed Balance Sheets

(In thousands of dollars)

	December 31,	
	2018	2017
Assets		
Current assets:		
Accounts receivable, net	$ 38	$ 139
Accounts receivable - affiliates	104,494	55,108
Prepayments and other current assets	14,321	3,578
Total current assets	118,853	58,825
Deferred charges and other assets, net	29,247	29,397
Notes receivable - affiliates	369,740	329,738
Deferred income tax asset	35,696	32,782
Investment in subsidiaries	2,510,120	2,213,102
Total assets	$ 3,063,656	$ 2,663,844
Liabilities and Equity		
Stockholders' equity	$ 2,009,363	$ 1,957,621
Long-term debt, excluding current portion, net of debt issuance costs	758,206	497,958
Current liabilities:		
Current portion of long-term debt	50,000	30,800
Accrued interest	3,236	3,267
Accounts payable - affiliates	39,879	34,537
Interest rate swap agreements	59,779	-
Other accrued liabilities	11,583	9,329
Total current liabilities	164,477	77,933
Other liabilities	131,610	130,332
Total liabilities and equity	$ 3,063,656	$ 2,663,844

The accompanying condensed notes are an integral part of these condensed financial statements.

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Aqua America, Inc.

Schedule 1 – Condensed Parent Company Financial Statements

Condensed Statements of Income and Comprehensive Income

(In thousands, except per share amounts)

	Years ended December 31,		
	2018	2017	2016
Other income	$ 894	$ 1,629	$ 3,301
Operating expense and other expenses	19,728	53	4,569
Operating (loss) income	(18,834)	1,576	(1,268)
Interest expense, net	9,419	5,210	2,901
Change in fair value of interest rate swap agreements	59,779	-	-
Other expense (income)	95	-	(87)
Loss before equity in earnings of subsidiaries and income taxes	(88,127)	(3,634)	(4,082)
Equity in earnings of subsidiaries	261,700	244,327	236,309
Income before income taxes	173,573	240,693	232,227
Provision for income taxes (benefit)	(18,415)	955	(1,955)
Net income	$ 191,988	$ 239,738	$ 234,182
Comprehensive income	$ 191,988	$ 239,929	$ 234,164
Net income per common share:			
Basic	$ 1.08	$ 1.35	$ 1.32
Diluted	$ 1.08	$ 1.35	$ 1.32
Average common shares outstanding during the period:			
Basic	177,904	177,612	177,273
Diluted	178,399	178,175	177,846

The accompanying condensed notes are an integral part of these condensed financial statements.

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Aqua America, Inc.

Schedule 1 – Condensed Parent Company Financial Statements

Condensed Statements of Cash Flows

(In thousands of dollars)

	Years ended December 31,		
	2018	2017	2016
Net cash flows (used in) from operating activities	$ (12,930)	$ 98,821	$ 84,649
Cash flows from investing activities:			
Acquisitions of utility systems and other, net	(103,364)	(220)	(3,713)
Net proceeds from the sale of utility systems and other assets	-	-	205
(Increase) decrease in investment of subsidiary	(13,258)	20,021	(26,470)
Other	241	1,811	204
Net cash flows (used in) from investing activities	(116,381)	21,612	(29,774)
Cash flows from financing activities:			
Proceeds from long-term debt	1,107,600	286,969	418,957
Repayments of long-term debt	(830,900)	(268,050)	(346,050)
Proceeds from issuing common stock	5,163	1,453	1,388
Proceeds from exercised stock options	1,459	2,873	4,260
Share-based compensation windfall tax benefits	-	-	1,332
Repurchase of common stock	(2,555)	(2,167)	(3,028)
Dividends paid on common stock	(150,736)	(140,660)	(130,923)
Other	(720)	(851)	(811)
Net cash flows from (used in) financing activities	129,311	(120,433)	(54,875)
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	$ -	$ -	$ -

See Note 1 - *Basis of Presentation*

The accompanying condensed notes are an integral part of these condensed financial statements.

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Aqua America, Inc.

Notes to Condensed Parent Company Financial Statements

(In thousands of dollars)

Note 1 – *Basis of Presentation* – The accompanying condensed financial statements of Aqua America, Inc. (the "Parent") should be read in conjunction with the consolidated financial statements and notes thereto of Aqua America, Inc. and subsidiaries (collectively, the "Registrant") included in Part II, Item 8 of the Form 10-K. The Parent's significant accounting policies are consistent with those of the Registrant.

The Parent borrows from third parties and provides funds to its subsidiaries, in support of their operations. Amounts owed to the Parent for borrowings under this facility are reflected as inter-company receivables on the condensed balance sheets. The interest rate charged to the subsidiaries is sufficient to cover the Parent's interest costs under its associated borrowings.

As of December 31, 2018 and 2017, the Parent had a current accounts receivable – affiliates balance of $104,494 and $55,108. As of December 31, 2018 and 2017, the Parent had a notes receivable – affiliates balance of $369,740 and $329,738. The changes in these balances represent non-cash adjustments that are recorded through the Parent's investment in subsidiaries.

In the ordinary course of business, the Parent indemnifies a third-party for surety bonds issued on behalf of subsidiary companies, guarantees the performance of one of its regulated utilities in a jurisdiction that requires such guarantees, and guarantees several projects associated with the treatment of water in a jurisdiction.

Note 2 – *Dividends from subsidiaries* – Dividends in the amount of $81,250 $51,100, and $45,750 were paid to the Parent by its wholly-owned subsidiaries during the years ended December 31, 2018, 2017, and 2016, respectively.

Note 3 – *Long-term debt* – the Parent has long-term debt under unsecured note purchase agreements with investors in addition to its $550,000 revolving credit agreement. Excluding amounts due under the revolving credit agreement, the debt maturities of the Parent's long-term debt are as follows:

Year		Debt Maturity
2019	$	50,000
2020		28,200
2021		17,250
2022		17,250
2023		10,800
Thereafter		315,000

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Section 2: EX-4.1.11.1 (EX-4.1.11.1)

Exhibit 4.1.11.1

SCHEDULE OF SUPPLEMENTAL INDENTURES SUBSTANTIALLY IDENTICAL TO FORM OF SUPPLEMENTAL INDENTURE DURING AND AFTER 2014

In accordance with Instruction 2 to Item 601 of Regulation S-K, the Registrant has omitted filing the following Supplemental Indentures by and between Aqua Pennsylvania, Inc. and The Bank of New York Mellon Trust Company, N.A. because they are substantially identical in all material respects to the form of Supplemental Indenture filed as Exhibit 4.1.5 to Aqua America, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2015:

1. Forty-Ninth Supplemental Indenture, dated as of December 1, 2014
2. Fiftieth Supplemental Indenture, dated as of November 1, 2015
3. Fifty-First Supplemental Indenture, dated as of November 1, 2016
4. Fifty-Second Supplemental Indenture, dated as of June 15, 2017
5. Fifty-Third Supplemental Indenture, dated as of June 1, 2018
6. Fifty-Fourth Supplemental Indenture, dated as of October 15, 2018

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Section 3: EX-4.15 (EX-4.15)

Exhibit 4.15

EXECUTION VERSION

AQUA PENNSYLVANIA, INC.

$125,000,000

$65,000,000 First Mortgage Bonds, 4.44% Series due 2047

$30,000,000 First Mortgage Bonds, 4.49% Series due 2052

$30,000,000 First Mortgage Bonds, 4.51% Series due 2053

BOND PURCHASE AGREEMENT

_____

Dated as of November 15, 2018

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Schedule A	—	Information Relating to Purchasers
Schedule B	—	Defined Terms
Schedule 5.4	—	Subsidiaries of the Company and Ownership of Subsidiary Stock
Schedule 5.5	—	Financial Statements
Schedule 5.15(a)	—	Existing Debt
Schedule 5.15(b)	—	Debt Instruments
Exhibit A	—	Form of Fifty-fourth Supplemental Indenture
Exhibit 4.4(a)	—	Form of Opinion of Counsel for the Company
Exhibit 4.4(b)	—	Form of Opinion of Special Counsel for the Company
Exhibit 4.4(c)	—	Form of Opinion of Special Counsel for the Purchasers
Exhibit 12.4	—	Form of US Tax Compliance Certificate

AQUA PENNSYLVANIA, INC.
762 West Lancaster Avenue
Bryn Mawr, Pennsylvania 19010-3489

$125,000,000

$65,000,000 First Mortgage Bonds, 4.44% Series due 2047
$30,000,000 First Mortgage Bonds, 4.49% Series due 2052
$30,000,000 First Mortgage Bonds, 4.51% Series due 2053

As of November 15, 2018

To Each of the Purchasers Listed in
Schedule A Hereto:

Ladies and Gentlemen:

Aqua Pennsylvania, Inc., a corporation organized under the laws of the Commonwealth of Pennsylvania (the *"Company"*), agrees with each of the purchasers whose names appear at the end hereof (each, a *"Purchaser"* and, collectively, the *"Purchasers"*) as follows:

SECTION 1. AUTHORIZATION OF BONDS.

The Company will authorize the issue and sale of (i) First Mortgage Bonds, 4.44% Series due 2047 (herein referred to as the *"4.44% Series due 2047 Bonds"*) in an aggregate principal amount of $65,000,000, to bear interest at the rate of 4.44% per annum, and to mature on November 15, 2047, (ii) First Mortgage Bonds, 4.49% Series due 2052 (herein referred to as the *"4.49% Series due 2052 Bonds"*) in an aggregate principal amount of $30,000,000, to bear interest at the rate of 4.49% per annum, and to mature on November 15, 2052, and (iii) First Mortgage Bonds, 4.51% Series due 2053 (herein referred to as the *"4.51% Series due 2053 Bonds"*) in an aggregate principal amount of $30,000,000, to bear interest at the rate of 4.51% per annum, and to mature on November 15, 2053 (the 4.44% Series due 2047 Bonds, the 4.49% Series due 2052 Bonds, and the 4.51% Series due 2053 Bonds are collectively referred to as the *"Bonds"* and such term includes any such bonds issued in substitution therefor). The Bonds will be issued under and secured by that certain Indenture of Mortgage dated as of January 1, 1941, from the Company (as successor by merger to the Philadelphia Suburban Water Company), as grantor, to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "*Trustee*") (the *"Original Indenture"*), as previously amended and supplemented by fifty-three supplemental indentures and as further supplemented by the Fifty-fourth Supplemental Indenture dated as of October 15, 2018 (such Fifty-fourth Supplemental Indenture being referred to herein as the *"Supplement"*) which will be substantially in the form attached hereto as Exhibit A, with such changes therein, if any, as shall be approved by the Purchasers and the Company. The Original Indenture, as supplemented and amended by the aforementioned fifty-three supplemental indentures and the Supplement, and as further supplemented or amended according to its terms, is hereinafter referred to as the

"Indenture". Certain capitalized and other terms used in this Agreement are defined in Schedule B; and references to a *"Schedule"* or an *"Exhibit"* are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement. Terms used herein but not defined herein shall have the meanings set forth in the Indenture.

SECTION 2. SALE AND PURCHASE OF BONDS.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the Closing provided for in Section 3, Bonds in the principal amount and in the series specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The Purchasers' obligations hereunder are several and not joint obligations and no Purchaser shall have any liability to any Person for the performance or non-performance of any obligation by any other Purchaser hereunder.

SECTION 3. CLOSING.

The execution and delivery of this Agreement and the sale and purchase of the Bonds to be purchased by each Purchaser shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 a.m., Chicago time, at a closing on November 15, 2018 or on such other Business Day thereafter on or prior to November 30, 2018 as may be agreed upon by the Company and the Purchasers (the *"Closing"*). At the Closing the Company will deliver to each Purchaser the Bonds to be purchased by such Purchaser in the form of one or more Bonds to be purchased by such Purchaser, as applicable, in such denominations as such Purchaser may request (with a minimum denomination of $100,000 for each Bond), dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for Account Number: 8559742757, Account Name: Aqua Pennsylvania, Inc., at PNC Bank, N.A., Philadelphia, Pennsylvania, ABA Number 031-000053. If at the Closing the Company shall fail to tender such Bonds to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to such Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure by the Company to tender such Bonds or any of the conditions specified in Section 4 not having been fulfilled to such Purchaser's satisfaction.

SECTION 4. CONDITIONS TO CLOSING.

Each Purchaser's obligation to execute and deliver this Agreement and to purchase and pay for the Bonds to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction prior to or at the Closing of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in each Financing Agreement required to be performed or *complied* with by the Company prior to or at the Closing, and after giving effect to the issue and sale of the Bonds (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing.

Section 4.3. Compliance Certificates. The Company shall have performed and complied with all agreements and conditions contained in the Indenture which are required to be performed or complied with by the Company for the issuance of the Bonds at the Closing. In addition, the Company shall have delivered the following certificates:

(a) *Officer's Certificate.* The Company shall have delivered to such Purchaser (i) an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Section 4 of this Agreement have been fulfilled, and (ii) copies of all certificates and opinions required to be delivered to the Trustee under the Indenture in connection with the issuance of the Bonds, in each case, dated the date of the Closing.

(b) *Secretary's Certificate.* The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of the Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of this Agreement, the Bonds, under the Indenture, and the Supplement.

(c) *Certification of Indenture.* Such Purchaser shall have received a composite copy of the Indenture (together with all amendments and supplements thereto), certified by the Company as of the date of the Closing, exclusive of property exhibits, recording information and the like.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from Christopher P. Luning, counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the *Purchasers*) and (b) from Dilworth Paxson, LLP, special counsel to the Company, covering the matters set forth in Exhibit 4.4(b) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or such Purchaser's counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers), and (c) from Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(c) and covering such other matters

incident to such transactions as such Purchaser may

reasonably request. The Company hereby directs its counsel to deliver the opinions required by this Section 4.4 and understands and agrees that each Purchaser will and hereby is authorized to rely on such opinions.

Section 4.5. Purchase Permitted by Applicable Law, Etc. On the date of the Closing such Purchaser's purchase of Bonds shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies *without* restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U, or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date of the Closing. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Bonds. Contemporaneously with the Closing, the Company shall sell to each Purchaser and each Purchaser shall purchase the Bonds to be purchased by it as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of Section 12.2, the Company shall have paid on or before the Closing the reasonable fees, reasonable charges and reasonable disbursements of the Purchasers' special counsel referred to in Section 4.4(c) to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the SVO) shall have been obtained for each series of Bonds issued at the Closing.

Section 4.9. Changes in Corporate Structure. The Company shall not have changed its jurisdiction of incorporation or organization, as applicable, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10. Funding Instructions. At least three Business Days prior to the date of the Closing, such Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (a) the name and address of the transferee bank, (b) such transferee bank's ABA number (c) the account name and number into which the purchase price for the Bonds is to be deposited, and (d) the name and telephone number and/or email address for an appropriate contact person at such transferee bank.

Section 4.11. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be reasonably satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

Section 4.12. Execution and Delivery and Filing and Recording of the Supplement. Prior to or at the Closing, the Supplement shall have been duly executed and delivered by the Company, and the Company shall have filed, or delivered for recordation, the Supplement in all locations in Pennsylvania (and financing statements in respect thereof shall have been filed, if necessary) in such manner and in such places as is required by law (and no other instruments are required to be filed) to establish, preserve, perfect and protect the direct security interest and mortgage Lien of the Trust Estate created by the Indenture on all mortgaged and pledged property of the Company referred to in the Indenture as subject to the direct mortgage Lien thereof and the Company shall have delivered satisfactory evidence of such filings, recording or delivery for recording.

Section 4.13. Regulatory Approvals. The issue and sale of the Bonds shall have been duly authorized by an order of the Pennsylvania Public Utility Commission and such order shall be in full force and effect on the date of the Closing and all appeal periods, if any, applicable to such order shall have expired. The Company shall deliver satisfactory evidence that orders have been obtained approving the issuance of such Bonds from the Pennsylvania Public Utility Commission or that the Pennsylvania Public Utility Commission shall have waived jurisdiction thereof and such approval or waiver shall not be contested or subject to review, or that the Pennsylvania Public Utility Commission does not have jurisdiction.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser at the Closing that:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and subsisting under the laws of the Commonwealth of Pennsylvania, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Bonds and the Supplement (and had the corporate power and authority to execute and deliver the Indenture at the time of execution and delivery thereof) and to perform the provisions of the Financing Agreements.

Section 5.2. Authorization, Etc. At the Closing, each Financing Agreement has been duly authorized by all necessary corporate action on the part of the Company, and each Financing Agreement (other than the Supplement and the Bonds) constitutes, and when the Supplement is executed and delivered by the Company and the Trustee and when the Bonds are executed, issued and delivered by the Company, authenticated by the Trustee and paid for by the Purchasers, the Supplement and each Bond will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its respective terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. This Agreement and the documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company in connection with the transactions contemplated hereby, including the Offering Memorandum (including the documents incorporated therein by reference) dated October 2018, and the financial statements listed in Schedule 5.5 (collectively, the *"Disclosure Documents"*), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since December 31, 2017, there has been no change in the financial condition, operations, business or properties of the Company or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to management of the Company that, in the reasonable judgment of management of the Company, could be expected to have a Material Adverse Effect that has not been set forth herein or in the other documents, certificates and other writings delivered to the Purchaser by the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 contains a complete and correct list of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien.

(c) Each Subsidiary identified in Schedule 5.4 is duly incorporated and is validly subsisting as a corporation under the laws of the Commonwealth of Pennsylvania, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to

have a Material Adverse Effect. Each such Subsidiary has the corporate or other power

and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

Section 5.5. Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company does not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of each Financing Agreement (including the prior execution and delivery of the Indenture), will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien, other than the Lien created under the Indenture, in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter, regulations or by-laws, or any other Material agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary, except for any such default, breach, contravention or violation which would not reasonably be expected to have a Material Adverse Effect.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement, the Bonds and the Supplement, other than approval of the Pennsylvania Public Utility Commission, which has been obtained and is in full force and effect and final and is non-appealable.

Section 5.8. Litigation; Observance of Statutes and Orders. (a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is (i) in default under any term of any agreement or instrument to which it is a party or by which it is bound, (ii) in violation of any order, judgment, decree or ruling of any court, any arbitrator of any kind or any Governmental Authority naming or referring to the Company or any Subsidiary or (iii) in violation of any applicable law, or, to the knowledge of the Company, any ordinance, rule or regulation of any Governmental Authority (including, without limitation, Environmental Laws the USA Patriot Act or any of the other laws and regulations that are referred to in Section 5.16), which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The charges, accruals, and reserves on the books of the Company and its Subsidiaries in respect of federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Subsidiaries have been finally determined (whether by reason of completed audits or the statute of limitations having run) for all fiscal years up to and including the fiscal year ended December 31, 2011 and all amounts owing in respect of such audit have been paid.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement or the Indenture, except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. The Company and its Subsidiaries own or possess all licenses, permits, franchises, certificates of convenience and necessity, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

Section 5.12. Compliance with Employee Benefit Plans. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse

Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code

relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 401(a)(29) or 412 of the Code or section 4068 of ERISA, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans subject to section 412 of the Code (other than Multiemployer Plans), determined as of January 1, 2018 based on such Plan's actuarial assumptions as of that date for funding purposes as documented in such Plan's actuarial valuation reports dated September 2018 did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $5,000,000 in the case of any single Plan and by more than $5,000,000 in the aggregate for all Plans. The term "*benefit liabilities*" has the meaning specified in section 4001 of ERISA and the terms "*current value*" and "*present value*" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 715-60, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Bonds hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company to each Purchaser in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of such Purchaser's representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Bonds to be purchased by such Purchaser.

(f) The Company and its Subsidiaries do not have any Non-U.S. Plans.

Section 5.13. Private Offering by the Company Neither the Company nor anyone acting on the Company's behalf has offered the Bonds or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than twenty-one (21) other Institutional Investors, each of which has been offered the Bonds in connection with a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will

take, any action that would subject the issuance or sale of the Bonds to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Bonds to repay existing indebtedness and for general corporate purposes and in compliance with all laws referenced in Section 5.16. No part of the proceeds from the sale of the Bonds hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 2% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 2% of the value of such assets. As used in this Section, the terms "*margin stock*" and "*purpose of buying or carrying*" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Debt. Except as described therein, Schedule 5.15(a) sets forth a complete and correct list of all outstanding Debt of the Company and its Subsidiaries as of June 30, 2018, since which date except as described therein there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or any Subsidiary and no event or condition exists with respect to any Debt of the Company or any Subsidiary, the outstanding principal amount of which exceeds $5,000,000 that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Without limiting the representation in Section 5.6, the Company is not a party to, or otherwise subject to any provision contained in, any instrument evidencing Debt of the Company or any Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Debt evidenced by the Bonds, except as specifically indicated in Schedule 5.15(b).

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Controlled Entity (i) is a Blocked Person, (ii) has been notified that its name appears or may in the future appear on a State Sanctions List or (iii) is a target of sanctions that have been imposed by the United Nations or the European Union.

(b) Neither the Company nor any Controlled Entity (i) has violated, been found in violation of, or been charged or convicted under, any applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws or Anti-Corruption Laws or (ii) to the Company's knowledge, is under investigation by any Governmental Authority for possible violation of any U.S. Economic Sanctions Laws,

Anti-Money Laundering Laws or Anti-Corruption Laws.

(c) No part of the proceeds from the sale of the Bonds hereunder:

(i) constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used by the Company or any Controlled Entity, directly or indirectly, (A) in connection with any investment in, or any transactions or dealings with, any Blocked Person, (B) for any purpose that would cause any Purchaser to be in violation of any U.S. Economic Sanctions Laws, or (C) otherwise in violation of any U.S. Economic Sanctions Laws;

(ii) will be used, directly or indirectly, in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Money Laundering Laws; or

(iii) will be used, directly or indirectly, for the purpose of making any improper payments, including bribes, to any Governmental Official or commercial counterparty in order to obtain, retain or direct business or obtain any improper advantage, in each case which would be in violation of, or cause any Purchaser to be in violation of, any applicable Anti-Corruption Laws.

(d) The Company has established procedures and controls which it reasonably believes are adequate (and otherwise comply with applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable U.S. Economic Sanctions Laws, Anti-Money Laundering Laws and Anti-Corruption Laws.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or subject to rate regulation under the Federal Power Act, as amended.

Section 5.18. Environmental Matters. Neither the Company nor any Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted of which it has received notice, raising any claim against the Company or any of its Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them, or other assets, alleging damage to the environment or any violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Except as otherwise disclosed to the Purchasers in writing:

(a) neither the Company nor any Subsidiary has knowledge of any facts which would give rise to any claim, public or private, for violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties or to other assets now or formerly owned, leased or operated by any of them or their use, except, in

each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or has disposed of any Hazardous Materials in each case in a manner contrary to any Environmental Laws and in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

Section 5.19. Lien of Indenture. The Indenture (and for avoidance of doubt including the Supplement) constitutes a direct and valid Lien upon the Trust Estate, subject only to the exceptions referred to in the Indenture and Permitted Liens, and will create a similar Lien upon all properties and assets acquired by the Company after the date hereof which are required to be subjected to the Lien of the Indenture, when acquired by the Company, subject only to the exceptions referred to in the Indenture and Permitted Liens, and subject, further, as to real property interests, to the recordation of a supplement to the Indenture describing such after-acquired property; the descriptions of all such properties and assets contained in the granting clauses of the Indenture are correct and adequate for the purposes of the Indenture; the Indenture has been duly recorded as a mortgage and deed of trust of real estate, and any required filings with respect to personal property and fixtures subject to the Lien of the Indenture have been duly made in each place in which such recording or filing is required to protect, preserve and perfect the Lien of the Indenture; and all taxes and recording and filing fees required to be paid with respect to the execution, recording or filing of the Indenture, the filing of financing statements related thereto and similar documents and the issuance of the Bonds have been paid.

Section 5.20. Filings. No action, including any filings, registration or notice, is necessary or advisable in Pennsylvania or any other jurisdictions to ensure the legality, validity and enforceability of the Financing Agreements, except such action as has been previously taken, which action remains in full force and effect. No action, including any filing, registration or notice, is necessary or advisable in Pennsylvania or any other jurisdiction to establish or protect for the benefit of the Trustee and the holders of Bonds, the security interest and Liens purported to be created under the Indenture and the priority and perfection thereof and the other Financing Agreements, except such action as has been previously taken, which action remains in full force and effect.

SECTION 6. REPRESENTATIONS OF THE PURCHASERS.

Section 6.1. Purchase for Investment. Each Purchaser severally represents that it is purchasing the Bonds for its own account or for one or more separate accounts maintained by such Purchaser or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within such Purchaser's or their control. Each Purchaser understands that the Bonds have not

been registered under the Securities Act and

may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Bonds.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a "*Source*") to be used by such Purchaser to pay the purchase price of the Bonds to be purchased by such Purchaser hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("*PTE*") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the "*NAIC Annual Statement*")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part VI of PTE 84-14 (the "*QPAM Exemption*")) managed by a "*qualified professional asset manager*" or "*QPAM*" (within the meaning of Part VI of the QPAM Exemption), no employee benefit plan's assets that are managed by the QPAM in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, represent more than

20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM maintains an ownership interest in the Company that would cause the QPAM and the Company to be

"*related*" within the meaning of Part VI(h) of the QPAM Exemption and (i) the identity of such QPAM and (ii) the names of any employee benefit plans whose assets in the investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Part VI(c)(1) of the QPAM Exemption) of such employer or by the same employee organization, represent 10% or more of the assets of such investment fund, have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "*plan(s)*" (within the meaning of Part IV(h) of PTE 96-23 (the "*INHAM Exemption*")) managed by an "in-house asset manager" or "*INHAM*" (within the meaning of Part IV(a) of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "*control*" in Part IV(d)(3) of the INHAM Exemption) owns a 10% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "*employee benefit plan,*" "*governmental plan,*" and "*separate account*" shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each Purchaser and each holder of Bonds that is an Institutional Investor:

(a) *Quarterly Statements* — within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, *provided* that the delivery within the time period specified above of the Company's said financial statements, prepared in accordance with the requirements therefor and filed with the Municipal Securities Rulemaking Board on the Electronic Municipal Market Access ("*EMMA*") database shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) *Annual Statements* — within 120 days after the end of each fiscal year of the Company, duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon (without a "going concern" or similar qualification or exception and without any qualification or exception as to the scope of the audit on which such opinion is based) of independent public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, *provided* that the delivery within the time period specified above of the Company's said financial statements, prepared in accordance with the requirements therefor and containing the above-described audit opinion and filed with the Municipal Securities Rulemaking Board on the EMMA database shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) *SEC and Other Reports* — promptly upon their becoming available, one copy of (i) each financial statement, report, notice, or proxy statement sent by the Company or any Subsidiary to its public securities holders generally, and (ii) each regular or periodic

report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary with the SEC, *provided* that the delivery within the time period specified above of the Company's said financial statements, prepared in accordance with the requirements therefor and filed with the Municipal Securities Rulemaking Board on the EMMA database shall be deemed to satisfy the requirements of this Section 7.1(c);

(d) *Notice of Default or Event of Default* — promptly, and in any event within five days after a Responsible Officer becomes aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *Employee Benefits Matters* — promptly, and in any event within five days after a Responsible Officer becomes aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan (other than any Multiemployer Plan) that is subject to Title IV of ERISA, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any such Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect;

(f) *Notices from Governmental Authority* — promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any federal or state Governmental Authority relating

to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(g) *Requested Information* — with reasonable promptness, following the receipt by the Company of a written request by such holder of Bonds, the names and contact

information of holders of the outstanding bonds issued under the Indenture (i.e. the bonds in which the Company or a trustee is required to keep in a register and that are not publicly traded) of which the Company has knowledge and the principal amount of the outstanding bonds issued under the Indenture owed to each holder (unless disclosure of such names, contact information or holdings is prohibited by law), and such data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations under any Financing Agreement as from time to time may be reasonably requested by any such holder of Bonds; and

(h) *Deliveries to Trustee* — promptly, and in any event within five days after delivery to the Trustee, a copy of any deliveries made by the Company to the Trustee, including without limitation the annual report delivered to the Trustee pursuant to Article VIII, Section 12 of the Indenture.

Section 7.2 Officer's Certificate. Each set of financial statements delivered to a holder of Bonds pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer (which, in the case of financial statements filed with the Municipal Securities Rulemaking Board on the EMMA database, shall be by separate concurrent delivery of such certificate to each holder of Bonds) setting forth a statement that such Senior Financial Officer has reviewed the relevant terms hereof and of the Indenture and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Visitation. The Company shall permit the representatives of each Purchaser and each holder of Bonds that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and, with the consent of the Company (which consent will not be unreasonably withheld), to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times during normal business hours and as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of the Company to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other

papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such reasonable times and as often as may be requested.

SECTION 8. PURCHASE OF BONDS

The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Bonds except (a) upon the payment or prepayment of the Bonds in accordance with the terms of this Agreement and the Bonds or (b) pursuant to a written offer to purchase any outstanding Bonds made by the Company or an Affiliate pro rata to the holders of the Bonds upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. If the holders of more than 10% of the principal amount of the Bonds then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Bonds of such offer shall be extended by the number of days necessary to give each such remaining holder at least 10 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Bonds acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Bonds pursuant to any provision of this Agreement and no Bonds may be issued in substitution or exchange for any such Bonds.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that from the date of this Agreement and thereafter, so long as any of the Bonds are outstanding:

Section 9.1. Compliance with Law. Without limiting Section 10.4, the Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, Environmental Laws, the USA Patriot Act and the other laws and regulations that are referred to in Section 5.16, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. Insurance. The Company will cause each of its Subsidiaries to maintain, with financially sound and reputable insurers, insurance with respect to

their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-

insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. Maintenance of Properties. The Company will cause each of its Subsidiaries to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section 9.3 shall not prevent any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company and such Subsidiary have concluded that such discontinuance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes. The Company will cause each of its Subsidiaries to file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent the same have become due and payable and before they have become delinquent, provided that any Subsidiary does not need to pay any such tax, assessment, charge or levy if (a) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of such Subsidiary or (b) the nonpayment of all such taxes, assessments, charges and levies in the aggregate would not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, Etc. The Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a wholly-owned Subsidiary) and all rights and franchises of its Subsidiaries unless, in the good faith judgment of the Company or such Subsidiary, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Books and Records. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company or such Subsidiary.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that from the date of this Agreement and thereafter, so long as any of the Bonds are outstanding:

Section 10.1. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into

directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except pursuant to the reasonable requirements of the Company's or such Subsidiary's business.

Section 10.2. Merger, Consolidation, Etc. The Company will not consolidate with or merge with any other Person or convey, transfer or lease all or substantially all of its assets in a single transaction or series of transactions to any Person unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease all or substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation or limited liability company organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation or limited liability company, such corporation or limited liability company shall have executed and delivered to each holder of any Bonds its assumption of the due and punctual performance and observance of each covenant and condition of the Financing Agreements (pursuant to such agreements and instruments as shall be reasonably satisfactory to the Required Holders), and the Company shall have caused to be delivered to each holder of Bonds an opinion of nationally recognized independent counsel, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof; and

(b) immediately before and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation or limited liability company that shall theretofore have become such in the manner prescribed in this Section 10.2 from its liability under the Financing Agreements.

Section 10.3. Line of Business. The Company will not engage in any business if, as a result, the general nature of the business in which the Company and its Subsidiaries, taken as a whole, would then be engaged would be substantially changed from the general nature of the business in which the Company and its Subsidiaries, taken as whole, is engaged on the date of this Agreement.

Section 10.4. Economic Sanctions, Etc. The Company will not, and will not permit any Controlled Entity to (a) become (including by virtue of being owned or controlled by a Blocked Person), own or control a Blocked Person or (b) directly or indirectly have any investment in or engage in any dealing or transaction (including any investment, dealing or transaction involving the proceeds of the Bonds) with any

Person if such investment, dealing or transaction (i) would cause any holder or any affiliate of such holder to be in violation of, or subject to sanctions under, any law or regulation applicable to such holder, or (ii) is prohibited by or subject to sanctions under any U.S. Economic Sanctions Laws.

SECTION 11. PAYMENTS ON BONDS.

Section 11.1. Payment by Wire Transfer. So long as any Purchaser or its nominee shall be the holder of any Bond, and notwithstanding anything contained in the Indenture or in such Bond to the contrary, the Company will pay, or cause to be paid by a paying agent, a trustee or other similar party, all sums becoming due on such Bond for principal, Make-Whole Amount or premium, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Bond or the making of any notation thereon, except that upon written request of the Company or any paying agent made concurrently with or reasonably promptly after payment or prepayment in full of any Bond, such Purchaser shall surrender such Bond for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Article II of the Indenture. Prior to any sale or other disposition of any Bond held by a Purchaser or its nominee, such Purchaser will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Bond to the Company in exchange for a new Bond or Bonds pursuant to Article II of the Indenture. The Company will afford the benefits of this Section 11.1 to any Institutional Investor that is the direct or indirect transferee of any Bond purchased by a Purchaser under this Agreement and that has made the same agreement relating to such Bond as the Purchasers have made in this Section 11.1.

SECTION 12. REGISTRATION; EXCHANGE; EXPENSES, ETC.

Section 12.1. Registration of Bonds. The Company shall cause the Trustee to keep a register for the registration and registration of transfers of Bonds in accordance with Article XIII, Section 9 of the Indenture.

Section 12.2. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all reasonable costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required by the Required Holders, local or other counsel) incurred by the Purchasers and each other holder of a Bond in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of any Financing Agreement (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under any Financing Agreement or in responding to any subpoena or other legal process or informal investigative demand issued in connection with any Financing Agreement, or by reason of being a Purchaser or holder of any Bond, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated by any Financing Agreement and (c) the costs and expenses incurred in connection with

the initial filing of any Financing Agreement and all related documents and financial information with the SVO, provided that such costs and expenses under this

clause (c) shall not exceed $6,000 for the Bonds. The Company will pay, and will save each Purchaser and each other holder of a Bond harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Bonds).

Section 12.3. Survival. The obligations of the Company under this Section 12 will survive the payment or transfer of any Bond, the enforcement, amendment or waiver of any provision of any Financing Agreement, and the termination of any Financing Agreement.

Section 12.4. Tax Withholding. Except as otherwise required by applicable law, the Company agrees that it will not withhold from any applicable payment to be made to a holder of a Bond that is not a United States Person any tax so long as such holder shall have delivered to the Company (in such number of copies as shall be requested) on or about the date on which such holder becomes a holder under this Agreement (and from time to time thereafter upon the reasonable request of the Company), executed copies of IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, as well as the applicable "*U.S. Tax Compliance Certificate*" substantially in the form attached as Exhibit 12.4, in both cases correctly completed and executed.

SECTION 13. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement, the purchase or transfer by any Purchaser of any Bond or portion thereof or interest therein and the payment of any Bond, and may be relied upon by any subsequent holder of a Bond, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Bond. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, the Financing Agreements embody the entire agreement and understanding between each Purchaser and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 14. AMENDMENT AND WAIVER.

Section 14.1. Requirements. This Agreement and the Bonds may be amended, and the observance of any term hereof or of the Bonds may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (i) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6, or 19 hereof, or any defined term, will be effective as to any holder of Bonds unless consented to by such holder of Bonds in writing, and (ii) no such amendment or waiver may, without the written consent of all of the holders of Bonds at the time outstanding affected thereby, (A) subject to the provisions of the Indenture relating to acceleration,

change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest (if such change results in a decrease in the interest rate) or of the Make-Whole Amount on, the Bonds, (B) change the percentage of the principal amount of the Bonds the holders of which are required to consent to any such amendment or waiver, or (C) amend any of Sections 8, 14, or 18.

Section 14.2. Solicitation of Holders of Bonds.

(a) *Solicitation.* The Company will provide each holder of Bonds (irrespective of the amount of Bonds then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Bonds. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 14 to each Purchaser and each holder of outstanding Bonds promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Bonds.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise (other than legal fees or other related expenses), or grant any security or provide other credit support, to any holder of Bonds as consideration for or as an inducement to the entering into by any holder of Bonds of any waiver or amendment of any of the terms and provisions hereof or of the Bonds unless such remuneration is concurrently paid, or security is concurrently granted or other credit support concurrently provided, on the same terms, ratably to each holder of Bonds then outstanding even if such holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer.* Any consent made pursuant to this Section 14 by a holder of Bonds that has transferred or has agreed to transfer its Bonds to (i) the Company, (ii) any Subsidiary or any other Affiliate, or (iii) any other Person in connection with, or in anticipation of, such other Person acquiring, making a tender offer for or merging with the Company and/or any of its Affiliates, and has provided or has agreed to provide such written consent as a condition to such transfer shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Bonds that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such holder.

Section 14.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this Section 14 applies equally to all holders of Bonds and is binding upon them and upon each future holder of any Bond and upon the Company without regard to whether such Bond has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived

or impair any right consequent thereon. No course of dealing between the Company and any holder of any Bond nor any delay in exercising

any rights hereunder or under any Bond shall operate as a waiver of any rights of any holder of such Bond.

Section 14.4. Bonds Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Bonds then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Bonds, or have directed the taking of any action provided herein or in the Bonds to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Bonds then outstanding, Bonds directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 15. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or nominee at the address specified for such communications in Schedule A, or at such other address as such Purchaser or nominee shall have specified to the Company in writing,

(ii) if to any other holder of any Bond, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of 762 West Lancaster Avenue, Bryn Mawr, Pennsylvania 19010-3489, or at such other address as the Company shall have specified to the holder of each Bond in writing.

Notices under this Section 15 will be deemed given only when actually received.

SECTION 16. INDEMNIFICATION.

The Company hereby agrees to indemnify and hold the Purchasers harmless from, against and in respect of any and all loss, liability and expense (including reasonable attorneys' fees) arising from any misrepresentation or nonfulfillment of any undertaking on the part of the Company under this Agreement. The indemnification obligations of the Company under this Section 16 shall survive the execution and delivery of this Agreement, the delivery of the Bonds to the Purchasers and the consummation of the transactions contemplated herein.

SECTION 17. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at the Closing (except the Bonds themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser, may be reproduced by such Purchaser by any photographic, photostatic, electronic, digital, or other similar process and such Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 17 shall not prohibit the Company or any other holder of Bonds from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 18. CONFIDENTIAL INFORMATION.

For the purposes of this Section 18, *"Confidential Information"* means information delivered to any Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or any person acting on such Purchaser's behalf, (c) otherwise becomes known to such Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser under Section 7.1 of this Agreement or under the Indenture that are otherwise publicly available. Each Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser, provided that such Purchaser may deliver or disclose Confidential Information to (i) its directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by Bonds), (ii) its financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 18, (iii) the Trustee or any other holder of any Bond, (iv) any Institutional Investor to which it sells or offers to sell such Bond or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 18), (v) any Person from which it offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to

be bound by the provisions of this Section 18), (vi) any federal or state or provincial regulatory authority having jurisdiction over such Purchaser, (vii) the NAIC or the SVO or, in each

case, any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser is a party, or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under any Financing Agreement. Each holder of a Bond, by its acceptance of a Bond, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 18 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Bond of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 18.

In the event that as a condition to receiving access to information relating to the Company or its Subsidiaries in connection with the transactions contemplated by or otherwise pursuant to this Agreement, any Purchaser or holder of a Bond is required to agree to a confidentiality undertaking (whether through EMMA, another secure website, a secure virtual workspace or otherwise) which is different from this Section 18, this Section 18 shall not be amended thereby and, as between such Purchaser or such holder and the Company, this Section 18 shall supersede any such other confidentiality undertaking.

SECTION 19. MISCELLANEOUS.

Section 19.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Bond) whether so expressed or not, except that, subject to Section 10.2, the Company may not assign or otherwise transfer any of its rights or obligations hereunder or under the Bonds without the prior written consent of each holder. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto and their respective successors and assigns permitted hereby) any legal or equitable right, remedy or claim under or by reason of this Agreement.

Section 19.2. Accounting Terms. All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (a) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (b) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with the financial covenants contained in the Financing Agreements, if any, any election by the Company to measure Debt using fair value (as permitted by Financial Accounting Standards Board Accounting Standards Codification Topic No. 825-10-25 – *Fair Value*

Option, International Accounting Standard 39 – *Financial Instruments: Recognition and Measurement* or any similar accounting standard) shall be disregarded and such determination

shall be made as if such election had not been made and such Debt shall be valued at not less than 100% of the principal amount thereof.

Section 19.3. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 19.4. Construction, Etc. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 19.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 19.6. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the Commonwealth of Pennsylvania excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 19.7. Jurisdiction and Process; Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any Pennsylvania State or federal court sitting in Philadelphia, Pennsylvania, over any suit, action or proceeding arising out of or relating to this Agreement or the Bonds. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Bonds in any suit, action or proceeding of the nature referred to in Section 19.7(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage

prepaid, return receipt requested, to it at its address specified in Section 15 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 19.7 shall affect the right of any holder of a Bond to serve process in any manner permitted by law, or limit any right that the holders of any of the Bonds may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

(d) The parties hereto hereby waive trial by jury in any action brought on or with respect to this Agreement, the Bonds or any other document executed in connection herewith or therewith.

Section 19.8. Payments Due on Non-Business Days. Anything in this Agreement or the Bonds to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Bond that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Bond is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on a counterpart of this Bond Purchase Agreement and return it to the Company, whereupon this Agreement shall become a binding agreement between you and the Company.

Very truly yours,

AQUA PENNSYLVANIA, INC.

By: /s/ Daniel J. Schuller
Name: Daniel J. Schuller
Its: Chief Financial Officer

Accepted as of the date first written above.

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA,
a New York domiciled life insurance company

By: Nuveen Alternatives Advisors LLC,
a Delaware limited liability company, its investment manager

By: /s/ Laura M Parrott
Name: Laura M Parrott
Its: Managing Director

Accepted as of the date first written above.

AMERICAN UNITED LIFE INSURANCE COMPANY

By: /s/ John C. Mason
Name: John C. Mason
Its: Senior Vice President & Chief Investment Officer

PIONEER MUTUAL LIFE INSURANCE COMPANY

By: /s/ John C. Mason
Name: John C. Mason
Its: Senior Vice President & Chief Investment Officer

THE STATE LIFE INSURANCE COMPANY

By: /s/ John C. Mason
Name: John C. Mason
Its: Senior Vice President & Chief Investment Officer

Accepted as of the date first written above.

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY

By: Macquarie Investment Management Advisers, a series of Macquarie Investment Management Business Trust, Attorney-in-Fact

By: /s/ Karl Spaeth

Name: Karl Spaeth

Its: Vice President

LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK

By: Macquarie Investment Management Advisers, a series of Macquarie Investment Management Business Trust, Attorney-in-Fact

By: /s/ Karl Spaeth

Name: Karl Spaeth

Its: Vice President

Accepted as of the date first written above.

UNITED OF OMAHA LIFE INSURANCE COMPANY

By: /s/ Lee Martin
Name: Lee Martin
Its: Vice President

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"4.44% Series due 2047 Bonds" is defined in Section 1.

"4.49% Series due 2052 Bonds" is defined in Section 1.

"4.51% Series due 2053 Bonds" is defined in Section 1.

"*Affiliate*" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "*Affiliate*" is a reference to an Affiliate of the Company.

"*Agreement*" means this Bond Purchase Agreement, including all Schedules and Exhibits attached to this Agreement.

"*Anti-Corruption Laws*" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding bribery or any other corrupt activity, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010.

"*Anti-Money Laundering Laws*" means any law or regulation in a U.S. or any non-U.S. jurisdiction regarding money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes, including the Currency and Foreign Transactions Reporting Act of 1970 (otherwise known as the Bank Secrecy Act) and the USA Patriot Act.

"*Blocked Person*" means (a) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by OFAC, (b) a Person, entity, organization, country or regime that is blocked or a target of sanctions that have been imposed under U.S. Economic Sanctions Laws, or (c) a Person that is an agent, department or instrumentality of, or is otherwise beneficially owned by, controlled by or acting on behalf of, directly or indirectly, any Person, entity, organization, country or regime described in clause (a) or (b).

"*Bonds*" is defined in Section 1.

"*Business Day*" means for the purposes of any provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Philadelphia, Pennsylvania are required or authorized to be closed.

(to Bond Purchase Agreement)

"*Capital Lease*" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"*Capital Lease Obligation*" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"*Closing*" is defined in Section 3.

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

"*Company*" means Aqua Pennsylvania, Inc., a corporation existing under the laws of the Commonwealth of Pennsylvania.

"*Controlled Entity*" means any of the Subsidiaries of the Company and any of their or the Company's respective Controlled Affiliates. As used in this definition, "*Control*" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"*Debt*" means, with respect to any Person, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable and other accrued liabilities arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) its Capital Lease Obligations;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all non-contingent liabilities in respect of reimbursement agreements or similar agreements in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions;

(f) Swaps of such Person; and

(g) Guaranties of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Debt of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"*Default*" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"*Disclosure Documents*" is defined in Section 5.3.

"*EMMA*" is defined in Section 7.1(a).

"*Environmental Laws*" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

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

"*ERISA Affiliate*" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"*Event of Default*" is an "event of default" as defined in the Indenture.

"*Financing Agreements*" means this Agreement, the Indenture (including without limitation the Supplement), and the Bonds.

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

"*Governmental Authority*" means:

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any other jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary,

or

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(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Governmental Official" means any governmental official or employee, employee of any government-owned or government-controlled entity, political party, any official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Debt, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Debt or obligation or any property constituting security therefor primarily for the purpose of assuring the owner of such Debt or obligation of the ability of any other Person to make payment of the Debt or obligation;

(b) to advance or supply funds (i) for the purchase or payment of such Debt or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Debt or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Debt or obligation of the ability of any other Person to make payment of the Debt or obligation; or

(d) otherwise to assure the owner of such Debt or obligation against loss in respect thereof.

In any computation of the Debt or other liabilities of the obligor under any Guaranty, the Debt or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor, *provided* that the amount of such Debt outstanding for purposes of this Agreement shall not exceed the maximum amount of Debt that is the subject of such Guaranty.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or other substances that might pose a hazard to health and safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage or filtration of which is or shall be restricted, prohibited or penalized by any applicable law including, but not limited to, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances.

"*holder*" is defined in the Indenture.

"*Indenture*" is defined in Section 1.

"*Institutional Investor*" means (a) any Purchaser of a Bond, (b) any holder of a Bond holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Bonds then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Bond.

"*Lien*" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"*Make-Whole Amount*" is defined in the Supplement.

"*Material*" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

"*Material Adverse Effect*" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, (b) the ability of the Company to perform its obligations under this Agreement, the Bonds or the Indenture, or (c) the validity or enforceability of any Financing Agreement.

"*Multiemployer Plan*" means any Plan that is a "*multiemployer plan*" (as such term is defined in section 4001(a)(3) of ERISA).

"*NAIC*" means the National Association of Insurance Commissioners or any successor thereto.

"*Non-U.S. Plan*" means any plan, fund or other similar program that (a) is established or maintained outside the United States of America by the Company or any Subsidiary primarily for the benefit of employees of the Company or one or more Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and (b) is not subject to ERISA or the Code.

"*OFAC*" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"*OFAC Sanctions Program*" means any economic or trade sanction that OFAC is responsible for administering and enforcing. A list of OFAC Sanctions Programs may be found at http://www.treasury.gov/resource-center/sanctions /Programs/Pages/Programs.aspx.

"*Officer's Certificate*" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"*Original Indenture*" is defined in Section 1.

"*PBGC*" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"*Permitted Liens*" shall have the meaning assigned to such term in the Indenture.

"*Person*" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

"*Plan*" means an "*employee benefit plan*" (as defined in section 3(2) of ERISA) subject to Title I of ERISA that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"*property*" or "*properties*" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"*PTE*" is defined in Section 6.2(a).

"*Purchaser*" is defined in the first paragraph of this Agreement.

"*Related Fund*" means, with respect to any holder of any Bond, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

"*Required Holders*" means the holders of at least 51% in principal amount of the Bonds at the time outstanding (exclusive of Bonds then owned by the Company or any of its Affiliates).

"*Responsible Officer*" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"*SEC*" means the Securities and Exchange Commission of the United States,

or any successor thereto.

"*Securities*" or "*Security*" shall have the meaning specified in Section 2(a)(1) of the Securities Act.

"*Securities Act*" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*Senior Financial Officer*" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"*Source*" is defined in Section 6.2.

"*State Sanctions List*" means a list that is adopted by any state Governmental Authority within the United States of America pertaining to Persons that engage in investment or other commercial activities in Iran or any other country that is a target of economic sanctions imposed under U.S. Economic Sanctions Laws.

"*Subsidiary*" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "*Subsidiary*" is a reference to a Subsidiary of the Company.

"*Supplement*" is defined in Section 1.

"*SVO*" means the Securities Valuation Office of the NAIC or any successor to such Office.

"*Swaps*" means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"*Trust Estate*" is defined in the Indenture.

"*Trustee*" is defined in Section 1.

"*UCC*" means, the Uniform Commercial Code as enacted and in effect from

time to time in the state whose laws are treated as applying to the Trust Estate.

"*USA Patriot Act*" means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*U.S. Economic Sanctions Laws*" means those laws, executive orders, enabling legislation or regulations administered and enforced by the United States pursuant to which economic sanctions have been imposed on any Person, entity, organization, country or regime, including the Trading with the Enemy Act, the International Emergency Economic Powers Act, the Iran Sanctions Act, the Sudan Accountability and Divestment Act, each as amended from time to time, and any other OFAC Sanctions Program.

AQUA PENNSYLVANIA, INC.
SUBSIDIARIES OF THE COMPANY,
OWNERSHIP OF SUBSIDIARY STOCK

Company Name	State of Incorporation	% of Ownership (Direct & Indirect)
Aqua Pennsylvania, Inc.	Pennsylvania	100%
1. Aqua Pennsylvania Wastewater, Inc.	Pennsylvania	100%
2. Honesdale Consolidated Water Company	Pennsylvania	100%
3. Superior Water Company	Pennsylvania	100%

SCHEDULE 5.4
(to Bond Purchase Agreement)

FINANCIAL STATEMENTS

1. Aqua Pennsylvania, Inc. Consolidated Financial Statements as of and for the years ended December 31, 2017, 2016 and 2015 (audited)

2. Aqua Pennsylvania, Inc. Report for Quarter Ended June 30, 2018

SCHEDULE 5.5
(to Bond Purchase Agreement)

SCHEDULE 5.15(A)
EXISTING DEBT

Aqua Pennsylvania and Subsidiaries			
Schedule 5.15(a) - Existing Debt as of June 30, 2018			
			Outstanding
			Balance
Unsecured Note	5.64%		5,466,000
Unsecured Note	5.64%		5,461,000
Unsecured Note	5.95%		10,000,000
Unsecured Note	5.95%		10,000,000
Unsecured Note	5.95%		10,000,000
Unsecured Note	5.95%		10,000,000
Bank Loan	2.48%		50,000,000
Bank Loan	3.50%		50,000,000
Total Unsecured Notes			**150,927,000**
Tax Exempt-Bond Premium			1,428,254
Tax Exempt	5.25%		24,830,000*
Tax Exempt	5.25%		24,830,000*
Tax Exempt-Bond Premium			236,578
Tax Exempt	6.75%		13,000,000
Tax Exempt	5.00%		58,000,000
Tax Exempt-Bond Discount			(1,423,988)
Tax Exempt	5.00%		62,165,000
Tax Exempt-Bond Premium			440,020
Tax Exempt	4.75%		12,520,000
Tax Exempt-Bond Discount			(215,359)
Tax Exempt	5.00%		25,910,000
Tax Exempt	5.00%		19,270,000
Tax Exempt-Bond Discount			(91,246)
Tax Exempt	4.50%		15,000,000
Tax Exempt-Bond Discount			(468,000)
Tax Exempt	5.00%		81,205,000
Tax Exempt-Bond Premium			1,988,790
Total Tax Exempt Bonds			**338,625,049**

* Redeemed on July 2, 2018

SCHEDULE 5.15(a)
(to Bond Purchase Agreement)

Schedule 5.15(a) **Existing Debt as of June 30, 2018 Continued**			
PennVest	2.711%		420,750
PennVest	2.547%		841,706
PennVest	2.547%		281,053
PennVest	2.690%		794,281
PennVest	2.547%		1,561,280
PennVest	2.547%		514,835
PennVest	1.510%		2,061,918
PennVest	1.000%		920,035
PennVest	4.047%		153,264
PennVest	3.631%		28,479
PennVest	4.047%		66,920
PennVest	3.552%		500,967
PennVest	1.349%		70,376
PennVest	3.631%		82,326
PennVest	4.050%		247,932
PennVest	3.030%		269,253
PennVest	3.460%		3,633,629
PennVest	3.468%		306,477
PennVest	2.774%		1,323,816
PennVest	4.047%		121,744
PennVest	3.790%		663,339
PennVest	3.810%		337,221
PennVest	3.430%		400,495
PennVest	2.774%		609,751
PennVest	3.470%		2,380,221
PennVest	3.468%		138,918
PennVest	3.195%		1,187,829
PennVest	2.556%		611,825
PennVest	2.554%		755,305
PennVest	2.547%		379,979
PennVest	3.046%		889,869
PennVest	2.547%		1,007,698
PennVest	2.547%		728,608
PennVest	2.547%		852,455
PennVest	3.143%		1,407,861
PennVest	2.547%		684,231
PennVest	1.000%		6,436,934
PennVest	3.330%		207,333
PennVest	2.730%		1,829,977
PennVest	2.668%		925,758
PennVest	2.547%		808,488
PennVest	1.000%		314,862
PennVest	2.774%		141,256

PennVest	2.774%		116,342
PennVest	3.052%		504,994
PennVest	3.468%		2,835,999
PennVest	2.774%		760,536
PennVest	1.156%		217,733
PennVest	2.774%		1,003,780
PennVest	3.365%		1,182,658
PennVest	2.547%		1,251,377
Total PennVest			**45,774,670**

Schedule 5.15(a) **Existing Debt as of June 30, 2018 Continued**			
FMB	5.751%		15,000,000
FMB	5.751%		5,000,000
FMB	5.98%		3,000,000
FMB	6.06%		15,000,000
FMB	6.06%		5,000,000
FMB	7.72%		15,000,000
FMB	9.17%		1,600,000
FMB	9.29%		12,000,000
FMB	3.79%		40,000,000
FMB	3.80%		20,000,000
FMB	3.85%		20,000,000
FMB	3.94%		25,000,000
FMB	4.61%		25,000,000
FMB	4.62%		25,000,000
FMB	3.64%		25,000,000
FMB	4.01%		15,000,000
FMB	4.06%		13,000,000
FMB	4.11%		12,000,000
FMB	3.77%		65,000,000
FMB	3.82%		20,000,000
FMB	3.85%		25,000,000
FMB	4.16%		60,000,000
FMB	4.18%		20,000,000
FMB	4.20%		20,000,000
FMB	3.85%		25,000,000
FMB	3.95%		60,000,000
FMB	3.65%		10,000,000
FMB	3.69%		40,000,000
FMB	4.04%		40,000,000
FMB	4.06%		40,000,000
FMB	4.06%		35,000,000
FMB	4.07%		20,000,000
FMB	4.09%		20,000,000
FMB	3.99%		25,000,000
FMB	4.04%		10,000,000
FMB	4.09%		65,000,000
Total First Mortgage Bonds			**891,600,000**

Schedule 5.15(a) **Existing Debt as of June 30, 2018 Continued**			
PennVest - Aqua PA WW	1.00%		171,725
PennVest - Aqua PA WW	1.16%		800,468
PennVest - Aqua PA WW	1.00%		567,508
PennVest - Aqua PA WW	1.00%		132,536
PennVest - Aqua PA WW	1.35%		51,985
PennVest - Aqua PA WW	2.77%		171,750
Total PennVest LWWW			**1,895,972**
Total Long Term Debt			**$ 1,428,822,690**
PNC Revolver			-
Total Debt Aqua Pennsylvania			**$ 1,428,822,690**

SCHEDULE 5.15(B)

AQUA PENNSYLVANIA, INC. AND SUBSIDIARIES
DEBT ISSUANCE LIMITATIONS

Indenture of Mortgage dated as of January 1, 1941 of Aqua Pennsylvania, Inc. as Supplemented and Amended

$100 million Amended and Restated Credit Agreement among Aqua Pennsylvania, Inc. and PNC Bank, National Association as Agent dated as of November 15, 2018, as amended

Aqua Pennsylvania, Inc. $40,000,000 5.95% Senior Notes dated March 31, 2006

Aqua Pennsylvania, Inc. $10,927,000 5.64% Senior Notes dated September 29, 2006

$50 million Term Loan Agreement among Aqua Pennsylvania, Inc. and PNC Bank, National Association as Agent and Dated as of September 28, 2017, as amended

$50 million Term Loan Agreement among Aqua Pennsylvania, Inc. and PNC Bank, National Association as Agent and Dated as of May 4, 2018, as amended

FORM OF SUPPLEMENT

[SEE ATTACHED FIFTY-FOURTH SUPPLEMENTAL INDENTURE]

EXHIBIT A
(to Bond Purchase Agreement)

**FORM OF OPINION OF GENERAL COUNSEL
TO THE COMPANY**

[SEE ATTACHED]

EXHIBIT 4.4(a)
(to Bond Purchase Agreement)

FORM OF OPINION OF SPECIAL COUNSEL TO THE COMPANY

[SEE ATTACHED]

EXHIBIT 4.4(b)
(to Bond Purchase Agreement)

FORM OF OPINION OF SPECIAL COUNSEL TO THE PURCHASERS

[DELIVERED TO PURCHASERS ONLY]

EXHIBIT 4.4(c)
(to Bond Purchase Agreement)

[FORM OF]

U.S. TAX COMPLIANCE CERTIFICATE

Reference is hereby made to the Bond Purchase Agreement dated as of November 15, 2018 (as amended, supplemented or otherwise modified from time to time, the *"Bond Purchase Agreement"*), among Aqua Pennsylvania, Inc., a corporation organized under the laws of the Commonwealth of Pennsylvania (the *"Company"*) and the Purchasers that are signatories thereto.

Unless otherwise defined herein, capitalized terms defined in the Bond Purchase Agreement and used herein have the meanings given to them in the Bond Purchase Agreement.

Pursuant to the provisions of Section 12.4 (Tax Withholding) of the Bond Purchase Agreement, the undersigned hereby certifies that:

(i) it is the sole record and beneficial owner of the Bonds in respect of which it is providing this certificate;

(ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code;

(iii) it is not a ten percent shareholder of the Issuer within the meaning of Section 871(h)(3)(B) of the Code; and

(iv) it is not a controlled foreign corporation related to the Issuer as described in Section 881(c)(3)(C) of the Code.

The undersigned has furnished the Issuer with a certificate of its non-U.S. Person status on IRS W-8BEN-E.

[Purchaser Name]

By: _____
Name:
Title:

Date: _____ __, 20[__]

EXHIBIT 12.4
(to Bond Purchase Agreement)

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Section 4: EX-10.1 (EX-10.1)

Exhibit 10.1
EXECUTION VERSION

Published CUSIP Number: 03836VAE5
Revolving Facility CUSIP Number: 03836VAF2

CREDIT AGREEMENT

dated as of

December 5, 2018,

among

AQUA AMERICA, INC.,

the LENDERS party hereto

and

PNC BANK, NATIONAL ASSOCIATION,
as Administrative Agent

RBC CAPITAL MARKETS[1],
PNC CAPITAL MARKETS LLC,
MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED
and
COBANK, ACB,
as Joint Lead Arrangers and Joint Bookrunners

RBC CAPITAL MARKETS,
as Syndication Agent

and

BANK OF AMERICA, N.A.
and
COBANK, ACB,
as Documentation Agents

[CS&M Ref. No. 4025-142]

[1] RBC Capital Markets is a brand name for the capital markets activities of Royal Bank of Canada and its affiliates.

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SCHEDULES:

EXHIBITS

CREDIT AGREEMENT dated as of December 5, 2018 (this "Agreement"), among AQUA AMERICA, INC., a Pennsylvania corporation (the "Company"), the LENDERS party hereto and PNC BANK, NATIONAL ASSOCIATION, as the Administrative Agent.

WHEREAS, the Company is party to that certain Amended and Restated Credit Agreement dated as of June 7, 2018, among the Company, the lenders party thereto and PNC Bank, National Association, as agent (the "Company Existing Credit Agreement");

WHEREAS, the Company intends to pay in full all principal, interest, fees and other amounts outstanding or due in respect of the Company Existing Credit Agreement and to terminate all commitments to extend credit thereunder and cancel all letters of credit issued and outstanding thereunder (other than any such letter of credit designated hereunder as an Existing Letter of Credit or cash collateralized or backstopped in a manner satisfactory to the issuing bank in respect thereof) (the "Company Existing Credit Agreement Refinancing"); and

WHEREAS, the Company has requested that the Lenders and the Issuing Banks provide a revolving credit facility to the Company, and the Lenders have indicated their willingness to lend and the Issuing Banks have indicated their willingness to issue Letters of Credit, in each case, on the terms and subject to the conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

ARTICLE I

Definitions

SECTION 1.01 Defined Terms. As used in this Agreement (including the recitals hereto), the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bear interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" means any acquisition, or series of related acquisitions (including pursuant to any amalgamation, merger or consolidation), of property (including Equity Interests in a Person), in each case other than in the ordinary course of business.

"Acquisition Indebtedness" means any Indebtedness of the Company or any Subsidiary that has been incurred for the purpose of financing, in whole or in part, an Acquisition (including the PNG Acquisition) and any related transactions (including for the purpose of refinancing or replacing all or a portion of any related bridge facilities or any pre-existing Indebtedness of the Persons or assets to be acquired); provided that either (a) the release of the proceeds thereof to the Company and the Subsidiaries is contingent upon the substantially simultaneous consummation of such Acquisition (and, if the definitive agreement for such Acquisition is terminated prior to the consummation of such Acquisition, or if such Acquisition is otherwise not consummated by the date specified in the definitive documentation evidencing, governing the rights of the holders of or otherwise relating to such Indebtedness, then, in each

case, such proceeds are, and pursuant to the terms of such definitive documentation are required to be, promptly applied to satisfy and discharge all obligations of the Company and the Subsidiaries in respect of such Indebtedness) or (b) such Indebtedness contains a "special mandatory redemption" provision (or a similar provision) if such Acquisition is not consummated by the date specified in the definitive documentation evidencing, governing the rights of the holders of or otherwise relating to such Indebtedness (and, if the definitive agreement for such Acquisition is terminated prior to the consummation of such Acquisition or if such Acquisition is otherwise not consummated by the date so specified, such Indebtedness is, and pursuant to such "special mandatory redemption" (or similar) provision is required to be, redeemed or otherwise satisfied and discharged within 90 days of such termination or such specified date, as the case may be).

"Adjusted LIBO Rate" means, with respect to any LIBOR Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100,000 of 1% (i.e., the fifth digit after the decimal)) equal to the product of (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means PNC, in its capacity as the administrative agent hereunder and under the other Loan Documents, and its successors in such capacity as provided in Article VIII.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly or indirectly Controls, is Controlled by or is under common Control with the Person specified.

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

"Alternate Base Rate" means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1.00% per annum and (c) the Adjusted LIBO Rate on such day (or if such day is not a Business Day, the immediately preceding Business Day) for a deposit in dollars with a maturity of one month plus 1.00% per annum; provided that if such rate shall be less than 1.00%, such rate shall be deemed to be 1.00%. For purposes of clause (c) above, the Adjusted LIBO Rate on any day shall be based on the LIBO Screen Rate for a deposit in dollars with a maturity of one month (or, if the LIBO Screen Rate on such day for a deposit in dollars is not available for a maturity of one month but is available for periods both longer and shorter than such period, the Interpolated Screen Rate) at approximately 11:00 a.m., London time, on such day. If the Alternate Base Rate is being used as an alternate rate of interest pursuant to Section 2.13, then the Alternate Base Rate shall be the greater of clause (a) and (b) above and shall be determined without reference to clause (c) above. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

"Anti-Corruption Laws" means the United States Foreign Corrupt Practices Act of 1977, as amended, 15 U.S.C. §§ 78dd-1, et seq. and all other laws, rules, and regulations of any

jurisdiction applicable to the Company or any of its Subsidiaries from time to time concerning or relating to bribery, corruption or money laundering.

"Applicable Percentage" means at any time, with respect to any Tranche 1 Lender, the percentage of the Total Tranche 1 Commitments represented by such Lender's Tranche 1 Commitment at such time. If all the Tranche 1 Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Tranche 1 Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any ABR Loan or LIBOR Loan, or with respect to the Commitment Fees or the Ticking Fees, as the case may be, the applicable rate per annum set forth below under the applicable caption "ABR Spread", "LIBOR Spread", "Commitment Fee Rate" or "Ticking Fee Rate", as the case may be, based upon the Debt Ratings in effect on such date; provided that, for purposes of determining the Applicable Rate:

(a) until the earliest to occur of (i) the fifth Business Day after the PNG Acquisition Closing Date, (ii) the fifth Business Day after the termination of the PNG Purchase Agreement in accordance with its terms prior to the consummation of the PNG Acquisition and (iii) the first date on which at least two Rating Agencies shall have in effect a Debt Rating, the Applicable Rate with respect to any ABR Loan or LIBOR Loan, or with respect to the Commitment Fees, shall be determined by reference to Pricing Category 3; and

(b) until the earlier to occur of (i) the Ticking Fee Termination Date and (ii) the first date on which at least two Rating Agencies shall have in effect a Debt Rating, the Applicable Rate with respect to the Ticking Fees shall be determined by reference to Pricing Category 3.

Pricing Category	Debt Ratings (S&P/Moody's/ Fitch)	ABR Spread (percent per annum)	LIBOR Spread (percent per annum)	Commitment Fee Rate (percent per annum)	Ticking Fee Rate (percent per annum)
Category 1	Greater than or equal to A/A2/A	0.000%	0.875%	0.100%	0.100%
Category 2	A-/A3/A-	0.000%	1.000%	0.125%	0.125%
Category 3	BBB+/Baa1/BBB+	0.125%	1.125%	0.150%	0.150%
Category 4	BBB/Baa2/BBB	0.250%	1.250%	0.200%	0.200%
Category 5	BBB-/Baa3/BBB- or lower or unrated	0.500%	1.500%	0.250%	0.250%

For purposes of the foregoing, (a) if any of S&P, Moody's or Fitch shall not have in effect a Debt Rating (other than by reason of any of the circumstances referred to in the last sentence of this paragraph), then (i) if only one Rating Agency shall not have in effect a Debt Rating, the Pricing Category shall be based on the Debt Ratings of the other two Rating Agencies,

(ii) if two Rating Agencies shall not have in effect a Debt Rating, one of such Rating Agencies shall be deemed to have established a Debt Rating in Category 5 and the Pricing Category shall be based on such deemed Debt Rating and the remaining effective Debt Rating, and (iii) if no Rating Agency shall have in effect a Debt Rating, the Pricing Category shall be Category 5, (b) if Debt Ratings are in effect or deemed to have been established from only two Rating Agencies, and such Debt Ratings fall into different Categories, the Pricing Category shall be based on the higher of such Debt Ratings unless such Debt Ratings differ by two or more Categories, in which case the applicable Pricing Category shall be based on the Category one Category below the Pricing Category corresponding to the higher of such Debt Ratings and (c) if Debt Ratings are in effect from all three Rating Agencies and (i) all three Debt Ratings fall into different Categories, the applicable Pricing Category shall be based on the Category indicated by the Debt Rating that is neither the highest nor the lowest of the three Debt Ratings or (ii) two of the three Debt Ratings fall into one Category (the "Majority Category") and the third Debt Rating falls into a different Category, the applicable Pricing Category shall be based on the Category indicated by the Majority Category. Each change in the Pricing Category for any Debt Rating shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. If the rating system of any Rating Agency shall change, or if any Rating Agency shall cease to be in the business of rating corporate debt obligations, the Company and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of a Debt Rating from such Rating Agency and, pending the effectiveness of any such amendment, for purposes of determining the applicable Pricing Category such Rating Agency shall be deemed to have in effect the Debt Rating from such Rating Agency most recently in effect prior to such change or cessation.

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in commercial loans and similar extensions of credit in the ordinary course of its activities and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"Assignment and Assumption" means an assignment and assumption entered into by a Lender and an Eligible Assignee, with the consent of any Person whose consent is required by Section 9.04, and accepted by the Administrative Agent, substantially in the form of Exhibit A or any other form (including electronic records generated by the use of an electronic platform) approved by the Administrative Agent.

"Assumption Agreement" has the meaning set forth in Section 6.02(a).

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Tranche 1 Commitments.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time that is described in the EU Bail-In Legislation Schedule.

"Bankruptcy Event" means, with respect to any Person, that such Person has become the subject of a voluntary or involuntary bankruptcy or insolvency proceeding, or has had a receiver, liquidator, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in, any such proceeding or appointment; provided that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority; provided, however, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

"Beneficial Ownership Certification" means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

"Benefit Plan" means any of (a) an "employee benefit plan" (as defined in ERISA) that is subject to Title I of ERISA, (b) a "plan" as defined in and subject to Section 4975 of the Code or (c) any Person whose assets include (for purposes of ERISA Section 3(42) or otherwise for purposes of Title I of ERISA or Section 4975 of the Code) the assets of any such "employee benefit plan" or "plan".

"Board of Governors" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrowing" means (a) Loans of the same Class and Type made, converted or continued on the same date and, in the case of LIBOR Loans, as to which a single Interest Period is in effect or (b) a Swingline Loan.

"Borrowing Request" means a request by the Company for a Borrowing in accordance with Section 2.03, which shall be, in the case of any such written request, substantially in the form of Exhibit B or any other form approved by the Administrative Agent.

"Bridge Commitment" means, with respect to any Lender, the commitment, if any, of such Lender, established pursuant to Section 2.23 and the Bridge Facility Agreement, to make a Bridge Loan hereunder, expressed as an amount representing the maximum principal amount of the Bridge Loan to be made by such Lender.

"Bridge Commitment Letter" means the Commitment Letter dated October 22, 2018, among the Company, Goldman Sachs Bank USA and Royal Bank of Canada, as supplemented by the Joinder to Commitment Letter dated November 6, 2018.

"Bridge Facility" means the bridge loan facility, if any, established hereunder pursuant to Section 2.23 and the Bridge Facility Agreement, including the Bridge Commitments and the Bridge Loans.

"Bridge Facility Agent" means Goldman Sachs Bank USA, in its capacity as the administrative agent hereunder and under the other Loan Documents with respect to the Bridge Facility, if established hereunder pursuant to Section 2.23.

"Bridge Facility Agreement" means a Bridge Facility Agreement, in form and substance reasonably satisfactory to the Company and the Bridge Facility Agent, among the Company, the Bridge Facility Agent and the Bridge Lenders, establishing the Bridge Commitments and effecting such other amendments hereto and to the other Loan Documents as are contemplated by Section 2.23.

"Bridge Facility Amount" means, at any time, the lesser of (a) $5,100,000,000 and (b) the maximum principal amount of the bridge loan facility referred to in, and as determined at such time under, the Bridge Commitment Letter.

"Bridge Facility Arrangers" means Goldman Sachs Bank USA and RBC Capital Markets, in their capacities as the joint lead arrangers and joint bookrunners for the Bridge Facility.

"Bridge Lender" means a Lender with a Bridge Commitment or an outstanding Bridge Loan.

"Bridge Loan" means a Loan made by a Lender to the Company pursuant to Section 2.23 and the Bridge Facility Agreement.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a LIBOR Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Capital Lease Obligations" means, with respect to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) any real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP; and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP. For purposes of Section 6.01, a Capital Lease Obligation shall be deemed to be secured by a Lien on the property being leased and such property shall be deemed to be owned by the lessee.

"Cash Management Agreements" has the meaning set forth in Section 2.04(d).

"Change in Control" means any transaction or occurrence or series of transactions or occurrences that results at any time in (a) any Person or group of Persons (within the meaning of Sections 13(d) or 14(a) of the Exchange Act) having acquired, after the Effective Date, beneficial ownership (within the meaning of Rule 13d-3 promulgated by the SEC under the Exchange Act) of 50% or more of the Voting Stock of the Company or (b) during any period of 12 consecutive months, commencing before or after the Effective Date, individuals who on the first day of such period were directors of the Company (together with any replacement or additional directors who were nominated, approved or elected by a majority of directors then in office) ceasing to constitute a majority of the board of directors of the Company.

"Change in Law" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that, notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (ii) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted, promulgated or issued.

"Class", when used in reference to (a) any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Tranche 1 Loans, Tranche 2 Loans, Swingline Loans or Bridge Loans, (b) any Commitment, refers to whether such Commitment is a Tranche 1 Commitment, a Tranche 2 Commitment, a Swingline Commitment or a Bridge Commitment and (c) any Lender, refers to whether such Lender has a Loan or Commitment of a particular Class. It is acknowledged and agreed that, from and after the occurrence of the Conversion, Tranche 2 Loans and Tranche 2 Commitments shall cease to be a separate Class of Loans or Commitments, as the case may be, and shall be Tranche 1 Loans and Tranche 1 Commitments, respectively.

"Clean-up Period" has the meaning set forth in Section 7.02.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" means (a) at any time prior to the Conversion, a Tranche 1 Commitment, a Tranche 2 Commitment, a Swingline Commitment or a Bridge Commitment and (b) at any other time, a Tranche 1 Commitment, a Swingline Commitment or a Bridge Commitment.

"Commitment Fee" has the meaning set forth in Section 2.11(a).

"Communications" means, collectively, any notice, demand, communication, information, document or other material provided by or on behalf of the Company pursuant to any Loan Document or the transactions contemplated therein that is distributed to the Administrative

Agent or any Lender by means of electronic communications pursuant to Section 9.01, including through the Platform.

"Company" has the meaning set forth in the preamble to this Agreement, or any successor "Company" as permitted pursuant to the terms of this Agreement.

"Company Existing Credit Agreement" has the meaning set forth in the recitals to this Agreement.

"Company Existing Credit Agreement Refinancing" has the meaning set forth in the recitals to this Agreement.

"Company Existing Private Placement Notes" means (a) the 4.87% Senior Notes due July 31, 2023 issued pursuant to that certain Note Purchase Agreement dated as of July 31, 2003, (b) the 5.20% Senior Notes, Series B, due February 3, 2020 issued pursuant to that certain Note Purchase Agreement dated as of February 3, 2005, (c) the 5.54% Senior Notes due December 31, 2018 issued pursuant to that certain Note Purchase Agreement dated as of December 28, 2006, (d) the 5.63% Senior Notes, Series A, due February 28, 2022 and 5.83% Senior Notes, Series B, due February 28, 2037 issued pursuant to that certain Note Purchase Agreement dated as of February 28, 2007, (e) the 5.40% Senior Notes due May 20, 2022 issued pursuant to that certain Note Purchase Agreement dated as of May 20, 2008, (f) the 4.72% Senior Notes due December 17, 2019 issued pursuant to that certain Note Purchase Agreement dated as of December 17, 2009, (g) the 4.62% Senior Notes, Series A, due June 24, 2021, 4.83% Senior Notes, Series B, due June 24, 2024 and 5.22% Senior Notes, Series C, due June 24, 2028 issued pursuant to that certain Note Purchase Agreement dated as of June 24, 2010, (h) the 3.57% Senior Notes, Series 2012A, due June 14, 2027 issued pursuant to that certain Note Purchase Agreement dated as of June 14, 2012 and (i) the 3.59% Senior Notes, Series 2015A, due May 20, 2030 issued pursuant to that certain Note Purchase Agreement dated as of May 20, 2015, in each case, among the Company and the purchasers party thereto.

"Company Existing Private Placement Notes Refinancing" means the payment in full of all principal, interest (including any make-whole interest) and other amounts outstanding or due in respect of the Company Existing Private Placement Notes.

"Compliance Certificate" means a Compliance Certificate substantially in the form of Exhibit C or any other form approved by the Administrative Agent in its reasonable discretion.

"Confidential Information Memorandum" means the Confidential Information Memorandum dated October 2018 relating to the credit facilities provided for herein.

"Connection Income Taxes" means Other Connection Taxes that are imposed on or measured by net income (however denominated) or that are franchise Taxes or branch profits Taxes.

"Consolidated Assets" means, at any date, the total assets of the Company and the Subsidiaries determined on a consolidated basis in accordance with GAAP, as reflected on the consolidated balance sheet of the Company included in the financial statements of the Company most recently delivered pursuant to Section 5.01(a) or 5.01(b) (or, prior to the first delivery of such

financial statements, the most recent consolidated financial statements of the Company referred to in Section 3.04(a)). From and after the PNG Acquisition Closing Date, the Consolidated Assets as of any date prior to the PNG Acquisition Closing Date shall be determined on a Pro Forma Basis to give Pro Forma Effect to the PNG Acquisition and the other Transactions to occur on the PNG Acquisition Closing Date.

"Consolidated Funded Debt" means, at any date, all Indebtedness of the Company and the Subsidiaries determined on a consolidated basis in accordance with GAAP as of such date consisting of, without duplication, (a) borrowed money Indebtedness, including Capital Lease Obligations, (b) reimbursement obligations in respect of letters of credit and the like and (c) Indebtedness in the nature of a Guarantee of Indebtedness of other Persons of the type described in clause (a) or (b) above, whether or not required to be reflected on a consolidated balance sheet of the Company in accordance with GAAP.

"Consolidated Net Income" means, for any period, net income (or loss) after income and other taxes computed on the basis of income of the Company and the Subsidiaries for such period determined on a consolidated basis in accordance with GAAP, as reflected in the consolidated financial statements of the Company most recently delivered pursuant to Section 5.01(a) or 5.01(b) (or, prior to the first delivery of such financial statements, the most recent consolidated financial statements of the Company referred to in Section 3.04(a)). From and after the PNG Acquisition Closing Date, the Consolidated Net Income for any period ending prior to the PNG Acquisition Closing Date shall be determined on a Pro Forma Basis to give Pro Forma Effect to the PNG Acquisition and the other Transactions to occur on the PNG Acquisition Closing Date.

"Consolidated Shareholders' Equity" means, at any date, the net book value of the shareholders' equity of the Company and the Subsidiaries determined on a consolidated basis in accordance with GAAP as of such date, as reflected on the consolidated balance sheet of the Company prepared in accordance with GAAP.

"Consolidated Tangible Assets" means, at any date, (a) total assets of the Company and the Subsidiaries determined on a consolidated basis in accordance with GAAP minus (b) goodwill and other intangible assets of the Company and the Subsidiaries, in each case, determined on a consolidated basis in accordance with GAAP, all as reflected in the consolidated financial statements of the Company most recently delivered pursuant to Section 5.01(a) or 5.01(b) (or, prior to the first delivery of such financial statements, the most recent consolidated financial statements of the Company referred to in Section 3.04(a)). From and after the PNG Acquisition Closing Date, the Consolidated Tangible Assets as of any date prior to the PNG Acquisition Closing Date shall be determined on a Pro Forma Basis to give Pro Forma Effect to the PNG Acquisition and the other Transactions to occur on the PNG Acquisition Closing Date.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies, or the dismissal or appointment of the management, of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Conversion" means the conversion of Tranche 2 Loans into Tranche 1 Loans and/or the conversion of Tranche 2 Commitments into Tranche 1 Commitments (as the context requires), in each case, pursuant to Section 2.21.

"Conversion Date" has the meaning set forth in Section 2.21(a).

"Converted Tranche 1 Commitments" means Tranche 1 Commitments (or any portion thereof) resulting from the Conversion of Tranche 2 Commitments pursuant to Section 2.21.

"Converted Tranche 1 Loans" means Tranche 1 Loans (or any portion thereof) resulting from the Conversion of Tranche 2 Loans made pursuant to Section 2.21.

"Credit Exposure" means, with respect to any Lender at any time, (a) for purposes of the definition of the term "Required Lenders" and Sections 2.20(b) and 9.02(b), the sum of the outstanding principal amount of such Lender's Loans and its LC Exposure and Swingline Exposure at such time and (b) for all other purposes, the sum of the aggregate outstanding principal amount of such Lender's Tranche 1 Loans and its LC Exposure and Swingline Exposure at such time.

"Credit Party" means the Administrative Agent, each Issuing Bank, each Swingline Lender and each other Lender.

"Debt Rating" means, with respect to any Rating Agency as of any date of determination, (a) the rating by such Rating Agency of the senior unsecured long-term Indebtedness of the Company that is not Guaranteed by any Person or subject to any other credit enhancement or (b) if, and only if, such Rating Agency shall not have in effect the rating referred to in clause (a), the Company's "corporate credit" (however denominated) rating assigned by such Rating Agency.

"Default" means any event or condition that constitutes, or upon notice, lapse of time or both would constitute, an Event of Default.

"Defaulting Lender" means any Lender that (a) has failed, within two Business Days of the date required to be funded or paid, (i) to fund any portion of its Loans, (ii) to fund any portion of its participations in Letters of Credit or Swingline Loans or (iii) to pay to any Credit Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Lender notifies the Administrative Agent in writing that such failure is the result of such Lender's good faith determination that a condition precedent to funding (not otherwise waived in accordance with the terms hereof) (specifically identified in such writing, including, if applicable, by reference to a specific Default) has not been satisfied, (b) has notified the Company, the Administrative Agent, any Swingline Lender or any Issuing Bank in writing, or has made a public statement, to the effect that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Lender's good faith determination that a condition precedent (specifically identified in such writing, including, in applicable, by reference to a specific Default) to funding a Loan cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Business Days after request by the Company, the Administrative Agent,

any Swingline Lender or any Issuing Bank made in good faith, to provide a certification in writing from an authorized officer of such Lender that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit and Swingline Loans under this Agreement, provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon such requesting Person's, the Company's and the Administrative Agent's receipt of such certification in form and substance satisfactory to it, the Company and the Administrative Agent, or (d) has become, or a Lender Parent of which has become, the subject of a Bankruptcy Event or a Bail-In Action.

"Disposition" means any sale, transfer or other disposition, or series of related sales, transfers, or dispositions (including pursuant to any merger or consolidation), of property (including Equity Interests in a Person), in each case other than in the ordinary course of business.

"Documentation Agents" means the Persons identified as such on the cover page of this Agreement.

"dollars" or "$" refers to lawful money of the United States of America.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country that is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country that is a parent of any Person described in clause (a) above or (c) any entity established in an EEA Member Country that is a subsidiary of any Person described in clause (a) or (b) above and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"Effective Date" means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Eligible Assignee" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund and (d) any other Person, other than, in each case, a natural person, a Defaulting Lender, the Company or any Subsidiary or other Affiliate of the Company.

"Engagement Letter" means the Engagement Letter dated November 1, 2018, between the Company and Royal Bank of Canada.

"Environmental Laws" means all rules, regulations, codes, ordinances, judgments, orders, decrees, laws, injunctions or binding agreements issued, promulgated or entered into by or with any Governmental Authority and relating to the protection of the environment, to preservation or reclamation of natural resources, to the Release, threatened Release or registration of any toxic or hazardous materials, substance or waste or to the extent related to exposure to toxic or hazardous materials, substances or wastes, health or safety matters.

"Environmental Liability" means any liability, obligation, loss, claim, action, order or cost, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties and indemnities), resulting from or based upon (a) any violation of any Environmental Law, (b) the generation, transportation, storage, treatment or disposal of any Hazardous Material, (c) any exposure to any Hazardous Material, (d) the Release or threatened Release of any Hazardous Material or (e) any contract or other legally binding consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"Equity Interests" means shares of capital stock, partnership interests, membership interests, beneficial interests or other ownership interests, whether voting or nonvoting, in, or interests in the income or profits of, a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any of the foregoing (other than, prior to the date of conversion, Indebtedness that is convertible into any such Equity Interests).

"ERISA" means the Employee Retirement Income Security Act of 1974.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Company or any Subsidiary, is treated as a single employer under Section 414(b) or 414(c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414(m) or 414(o) of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30 day notice period is waived), (b) any failure by any Plan to satisfy the minimum funding standard (within the meaning of Section 412 of the Code or Section 302 of ERISA) applicable to such Plan, in each case whether or not waived, (c) the filing pursuant to Section 412(c) of the Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, (d) a determination that any Plan is, or is expected to be, in "at-risk" status (as defined in Section 303(i)(4) of ERISA or Section 430(i)(4) of the Code), (e) the incurrence by the Company or any of its ERISA Affiliates of any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA that are not past due, (f) the receipt by the Company or any of its ERISA Affiliates from the PBGC or a plan administrator of any notice relating to an intention to terminate, or to appoint a trustee to administer, any Plan or Multiemployer Plan, (g) the incurrence by the Company or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan, (h) the receipt by the Company or any of its ERISA Affiliates of any notice, or the receipt by any Multiemployer Plan from the Company or any of its ERISA Affiliates of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent, within the meaning of Title IV of ERISA or in endangered or critical status, within the meaning of Section 305 of ERISA, (i) any failure by the Company or its ERISA Affiliates to make any contribution or payment to any Plan or Multiemployer Plan, or any amendment to any Plan that has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code, and (h) the occurrence of any "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975 of the Code.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Events of Default" has the meaning set forth in Section 7.01.

"Exchange Act" means the United States Securities Exchange Act of 1934.

"Excluded Taxes" means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient: (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable lending office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. Federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan, Letter of Credit or Commitment pursuant to a law in effect on the date on which (i) such Lender acquires such interest in the Loan, Letter of Credit or Commitment (other than pursuant to an assignment request by the Company under Section 2.18(b)) or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 2.16, amounts with respect to such Taxes were payable either to such Lender's assignor immediately before such Lender acquired the applicable interest in a Loan, Letter of Credit or Commitment or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient's failure to comply with Section 2.16(f) and (d) any U.S. Federal withholding Taxes imposed under FATCA.

"Existing Borrowings" has the meaning set forth in Section 2.22(e).

"Existing Letters of Credit" means (a) any letter of credit issued under the Company Existing Credit Agreement for the account of the Company or any Subsidiary by any Person that is an Issuing Bank hereunder and that is outstanding on the Effective Date and listed on Schedule 2.05 or (b) on and after the PNG Acquisition Closing Date, any letter of credit issued under the PNG Existing Revolving Credit Agreement for the account of any Person that, upon the consummation of the PNG Acquisition, will become a Subsidiary on the PNG Acquisition Closing Date by any Person that is an Issuing Bank hereunder and that, subject to compliance with the requirements set forth in Section 2.05 as to the maximum LC Exposure and expiration of Letters of Credit and the satisfaction (or waiver in accordance with Section 9.02) of the conditions specified in Section 4.03, on the PNG Acquisition Closing Date is designated as an "Existing Letter of Credit" by written notice thereof by the Company and such Issuing Bank to the Administrative Agent.

"Existing Letter of Credit Issuing Banks" means each Issuing Bank, in its capacity as the issuer of the Existing Letters of Credit listed in the written notice provided to the Administrative Agent by the Company and such Issuing Bank designating the letters of credit referenced therein as Existing Letters of Credit in accordance with clause (b) of the definition of the term "Existing Letters of Credit", that shall have consented to become an Existing Letter of Credit Issuing Bank pursuant to such notice.

"Existing Maturity Date" has the meaning set forth in Section 2.19(a).

"Extending Lenders" has the meaning set forth in Section 2.19(b).

"Extension Effective Date" has the meaning set forth in Section 2.19(b).

"Facilities" means the revolving credit facilities provided for herein, including the Tranche 1 Commitments, the Tranche 2 Commitments, the Tranche 1 Loans, the Tranche 2 Loans and the participations in Letters of Credit and Swingline Loans.

"FATCA" means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code or any fiscal or regulatory legislation, rules or official practices adopted pursuant to any such intergovernmental agreement.

"Federal Funds Effective Rate" means, for any day, the rate calculated by the NYFRB based on such day's federal funds transactions by depository institutions (as determined in such manner as the NYFRB shall set forth on its public website from time to time) and published on the next succeeding Business Day by the NYFRB as the federal funds effective rate; provided that if such rate shall be less than zero, the Federal Funds Effective Rate shall be deemed to be zero.

"Fee Letters" means each of (a) the Administrative Agent Fee Letter dated December 5, 2018, between the Company and PNC, (b) the Fee Letter dated November 1, 2018, between the Company and Royal Bank of Canada, (c) the Administrative Agent Fee Letter dated October 22, 2018, between the Company and Goldman Sachs Bank USA, and (d) the Arranger Fee Letter dated October 22, 2018, among the Company, Goldman Sachs Bank USA and Royal Bank of Canada.

"Financial Covenant" means the covenant set forth in Section 6.05.

"Financial Officer" means, with respect to any Person, the chief financial officer, principal financial officer, principal accounting officer, vice president-treasury, treasurer or controller of such Person.

"Fitch" means Fitch Ratings, Inc., or any successor to its rating agency business.

"Foreign Lender" means a Lender that is not a U.S. Person.

"GAAP" means, subject to Section 1.04(a), generally accepted accounting principles in the United States of America, applied in accordance with the consistency requirements thereof.

"Governmental Approvals" means all authorizations, consents, approvals, permits, licenses and exemptions of, registrations and filings with, and reports to, Governmental Authorities.

"Governmental Authority" means the government of the United States of America or any other nation or any political subdivision of any thereof, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national body exercising such powers or functions, such as the European Union or the European Central Bank).

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the primary purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor the primary purpose of which is to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or other obligation; provided that the term "Guarantee" shall not include (i) endorsements for collection or deposit in the ordinary course of business and (ii) any obligations to repay Indebtedness or other obligations of another Person in connection with the consummation of an Acquisition or other investment related to such Person. The amount, as of any date of determination, of any Guarantee shall be the principal amount outstanding on such date of the Indebtedness or other obligation guaranteed by the guarantor (or, in the case of (A) any Guarantee the terms of which limit the monetary exposure of, or other recourse to, the guarantor or (B) any Guarantee of an obligation that does not have a principal amount, the maximum monetary exposure (or maximum exposure associated with the exercise of such other recourse) as of such date of the guarantor under such Guarantee (as determined, in the case of clause (A), pursuant to such terms or, in the case of clause (B), reasonably and in good faith by a Financial Officer of the Company) and in all events not to exceed the principal amount outstanding on such date of the Indebtedness or other obligation for which the primary obligor is liable).

"Hazardous Materials" means all explosive, radioactive, hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes, and all other substances or wastes of any nature regulated pursuant to or for which liability may be imposed under any Environmental Law by reason of their harmful or deleterious nature or any similar basis.

"Hedging Agreement" means any agreement with respect to any swap, forward, future or derivative transaction, or any option or similar agreement, involving, or settled by reference to, one or more rates, currencies, commodities, prices of equity or debt securities or

instruments, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value, or any similar transaction or combination of the foregoing transactions; provided that, for the avoidance of doubt, it is understood that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company or the Subsidiaries or right of a Person to 'put' an asset to another Person that arises in connection with any Acquisition or Disposition shall be a Hedging Agreement. The amount of the obligations of the Company or any Subsidiary in respect of any Hedging Agreement at any time shall be the amount (giving effect to any netting agreements and, except for purposes of Section 6.01, cash collateral arrangements) that the Company or such Subsidiary would be required to pay if such Hedging Agreement were early terminated at such time based on a mid-market quotation or is required to pay as a close-out amount if such Hedging Agreement has been terminated.

"Incremental Facility Agreement" means an Incremental Facility Agreement, in form and substance reasonably satisfactory to the Company and the Administrative Agent, among the Company, the Administrative Agent and one or more Incremental Tranche 1 Lenders, establishing Incremental Tranche 1 Commitments and effecting such other amendments hereto and to the other Loan Documents as are contemplated by Section 2.22.

"Incremental Facility Cap" means $300,000,000; provided that, upon the occurrence of the PNG Acquisition Closing Date, the Incremental Facility Cap shall automatically be increased by $150,000,000 to a total of $450,000,000.

"Incremental Tranche 1 Commitment" means, with respect to any Lender, the commitment, if any, of such Lender, established pursuant to an Incremental Facility Agreement and Section 2.22, to make Tranche 1 Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder.

"Incremental Tranche 1 Lender" means a Lender with an Incremental Tranche 1 Commitment.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person (excluding trade accounts payable incurred in the ordinary course of business), (d) all obligations of such Person in respect of the deferred purchase price of property or services (excluding (i) current accounts payable incurred in the ordinary course of business, (ii) deferred compensation payable to directors, officers, employees or consultants and (iii) any purchase price adjustment or earnout), (e) all Capital Lease Obligations of such Person, (f) the maximum aggregate amount of all letters of credit and letters of guaranty in respect of which such Person is an account party, (g) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances, (h) all Indebtedness of others to the extent secured by any Lien on property of such Person, whether or not the Indebtedness secured thereby has been assumed by such Person, where the amount of such Indebtedness shall be deemed to be the lesser of (i) the fair market value of the property securing such Indebtedness and (ii) the maximum amount of such Indebtedness for which such Person is liable and (i) all Guarantees by such Person of Indebtedness of others; provided that the term

"Indebtedness" shall not include (i) deferred or prepaid revenue, (ii) purchase price holdbacks in respect of a portion of the purchase price of an asset to satisfy warranty or other unperformed obligations of the seller and (iii) intercompany Indebtedness of the Company and the Subsidiaries. The Indebtedness of any Person shall include the Indebtedness of any other Person (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such other Person, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

"Indemnified Losses" has the meaning set forth in Section 9.03(b).

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Company under any Loan Document and (b) to the extent not otherwise described in clause (a), Other Taxes.

"Indemnitee" has the meaning set forth in Section 9.03(b).

"Initial Maturity Date" means the fifth anniversary of the Effective Date.

"Interest Election Request" means a request by the Company to convert or continue a Borrowing in accordance with Section 2.07, which shall be, in the case of any such written request, substantially in the form of Exhibit D or any other form approved by the Administrative Agent.

"Interest Payment Date" means (a) with respect to any ABR Loan or any Swingline Loan, the first Business Day following the last day of each March, June, September and December, (b) with respect to any LIBOR Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part (and, in the case of a LIBOR Borrowing with an Interest Period of more than three months' duration, such day or days prior to the last day of such Interest Period as shall occur at intervals of three months' duration after the first day of such Interest Period) and (c) with respect to any Swingline Loan, the day that such Swingline Loan is required to be repaid.

"Interest Period" means, with respect to any LIBOR Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one week or one, two, three or six months thereafter (or such shorter or longer period as shall have been consented to by each Lender participating in such Borrowing), as the Company may elect; provided that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of any Interest Period of one month or longer, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period of one month or longer that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Interpolated Screen Rate" means, for any period, a rate per annum

that results from interpolating on a linear basis between (a) the applicable LIBO Screen Rate for the longest

maturity for which a LIBO Screen Rate is available that is shorter than such period and (b) the applicable LIBO Screen Rate for the shortest maturity for which a LIBO Screen Rate is available that is longer than such period, in each case, as of the time the Interpolated Screen Rate is required to be determined in accordance with the other provisions hereof; provided that the Interpolated Screen Rate shall in no event be less than zero.

"IRS" means the United States Internal Revenue Service.

"Issuing Bank" means (a) PNC, (b) each Existing Letter of Credit Issuing Bank (solely with respect to its Existing Letters of Credit) and (c) each Lender that shall have become an Issuing Bank hereunder as provided in Section 2.05(i) (in each case, other than any Person that shall have ceased to be an Issuing Bank as provided in Section 2.05(j)), each in its capacity as an issuer of Letters of Credit hereunder. Any Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by an Affiliate of such Issuing Bank of the same or better creditworthiness (or other creditworthiness acceptable to the Company), in which case the term "Issuing Bank" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate (it being agreed that such Issuing Bank shall, or shall cause such Affiliate to, comply with the requirements of Section 2.05 with respect to such Letters of Credit).

"LC Commitment" means, with respect to each Issuing Bank, the maximum permitted amount of the LC Exposure that may be attributable to Letters of Credit issued by such Issuing Bank. The initial amount of the LC Commitment (a) for PNC is $100,000,000, and (b) for any Issuing Bank that becomes such pursuant to Section 2.05(i), shall be as set forth in the written agreement referred to in such Section pursuant to which such Issuing Bank has been designated as such, and if any Issuing Bank shall have agreed with the Company to modify the amount of its LC Commitment, the amount of such Issuing Bank's LC Commitment shall, effective upon the date the Administrative Agent shall have received written notice of such modification, be the modified amount agreed to in writing by such Issuing Bank as its LC Commitment hereunder; provided that the total LC Commitments shall not exceed the LC Sublimit.

"LC Disbursement" means a payment made by any Issuing Bank pursuant to a Letter of Credit.

"LC Exposure" means, at any time, the sum of (a) the aggregate amount of all Letters of Credit that remains available for drawing at such time and (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Company at such time. The LC Exposure of any Tranche 1 Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time, adjusted to give effect to any reallocation under Section 2.20(c) of the LC Exposure of Defaulting Lenders in effect at such time.

"LC Participation Fee" has the meaning set forth in Section 2.11(c).

"LC Sublimit" means $100,000,000.

"Lender Parent" means, with respect to any Lender, any Person as to which such Lender is, directly or indirectly, a subsidiary.

"Lenders" means the Persons listed on Schedule 2.01, any Incremental Tranche 1 Lender that shall have become a party hereto pursuant to an Incremental Facility Agreement, any Bridge Lender that shall have become a party hereto pursuant to the Bridge Facility Agreement and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that shall have ceased to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term "Lenders" includes each Swingline Lender.

"Letter of Credit" means each Existing Letter of Credit and any letter of credit issued pursuant to this Agreement, other than any such letter of credit that shall have ceased to be a "Letter of Credit" outstanding hereunder pursuant to Section 9.05.

"LIBOR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, bear interest at a rate determined by reference to the Adjusted LIBO Rate; provided that, for the avoidance of doubt, no Swingline Loan shall be a LIBOR Loan.

"LIBO Rate" means, with respect to any LIBOR Borrowing for any Interest Period, the applicable LIBO Screen Rate at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period; provided that if no LIBO Screen Rate shall be available for a particular Interest Period but LIBO Screen Rates shall be available for maturities both longer and shorter than such Interest Period, than the LIBO Screen Rate for such Interest Period shall be the Interpolated Screen Rate.

"LIBO Screen Rate" means, with respect to the LIBO Rate for any Interest Period, or with respect to any determination of the Alternate Base Rate pursuant to clause (c) of the definition thereof, a rate per annum equal to the London interbank offered rate as administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate) for deposits in dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period as displayed on the applicable Bloomberg page (currently BBAM1) (or, in the event such rate does not appear on a Bloomberg page, on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion); provided that if any LIBO Screen Rate, determined as provided above, would be less than zero, such LIBO Screen Rate shall for all purposes of this Agreement be zero.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, charge, security interest or other encumbrance on, in or of such asset, and (b) the interest of a vendor or a lessor under any conditional sale agreement or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

"Loan Documents" means this Agreement, any Incremental Facility Agreement, any Assumption Agreement, the Bridge Facility Agreement (if any) and, except for purposes of Section 9.02, any promissory notes delivered pursuant to Section 2.09(c) and any written agreements entered into pursuant to Section 2.04(e) or 2.05(i).

"Loans" means the loans made by the Lenders to the Company pursuant to this Agreement, including Swingline Loans.

"Majority in Interest", when used in reference to Lenders of any Class, means, at any time, (a) in the case of the Tranche 1 Lenders, Lenders having Credit Exposures and unused Tranche 1 Commitments representing more than 50% of the sum of the Total Tranche 1 Credit Exposure and the unused Tranche 1 Commitments at such time and (b) in the case of the Tranche 2 Lenders, Lenders holding outstanding Tranche 2 Loans and unused Tranche 2 Commitments representing more than 50% of all Tranche 2 Loans and unused Tranche 2 Commitments outstanding at such time.

"Material Acquisition" means any Acquisition by the Company or any Subsidiary involving payment of consideration of $150,000,000 or more.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, liabilities, operations or financial condition of the Company and the Subsidiaries, taken as a whole, (b) the ability of the Company to perform its payment obligations under the Loan Documents or (c) the rights and remedies available to the Lenders under the Loan Documents.

"Material Disposition" means any Disposition by the Company or any Subsidiary involving receipt of consideration of $150,000,000 or more.

"Material Indebtedness" means an issuance of Indebtedness (other than the Obligations under the Loan Documents), or the net obligations in respect of Hedging Agreements, of any one or more of the Company, any Restricted Subsidiary or any Significant Subsidiary, in an aggregate outstanding principal amount of $100,000,000 or more. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Company, any Restricted Subsidiary or any Significant Subsidiary in respect of Hedging Agreements shall be the amount of obligations determined according to the last sentence of the definition of the term "Hedging Agreements".

"Material Transaction" means any Material Acquisition, Material Disposition, incurrence or repayment of a material amount of Indebtedness by the Company and its Subsidiaries, any receipt of material cash proceeds from an equity issuance by the Company and its Subsidiaries, designation a material Restricted Subsidiary as an Unrestricted Subsidiary and any redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary.

"Maturity Date" means the Initial Maturity Date, as such date may be extended pursuant to Section 2.19 to the corresponding day in each year thereafter; provided that with respect to any Non-Extending Lender, the Maturity Date shall not be so extended; and provided further that if such date is not a Business Day, the "Maturity Date" shall be the Business Day immediately preceding such date.

"Maturity Date Extension" has the meaning set forth in Section 2.19(a).

"Maximum Rate" has the meaning set forth in Section 9.13.

"MNPI" means material information concerning the Company, any Subsidiary or any Affiliate of any of the foregoing, or any of their securities, that has not been disseminated in a manner making it available to investors generally, within the meaning of Regulation FD under the Exchange Act. For purposes of this definition, "material information" means information concerning the Company, any Subsidiary or other Affiliate of the Company, the PNG Acquired Company, any Subsidiary or any Affiliate of any of the foregoing, or any of their securities, that could reasonably be expected to be material for purposes of the United States Federal and state securities laws.

"Moody's" means Moody's Investors Service, Inc., or any successor to its rating agency business.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Non-Defaulting Lender" means, at any time, any Lender that is not a Defaulting Lender at such time.

"Non-Extending Lenders" has the meaning set forth in Section 2.19(b).

"NYFRB" means the Federal Reserve Bank of New York.

"Obligations" means (a) the due and punctual payment by the Company of the principal of and premium, if any, and interest (including interest accruing, at the rate specified herein, during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on all Loans, when and as due, whether at maturity, by acceleration, upon one or more dates set for prepayment or otherwise, (b) the due and punctual payment by the Company of each payment required to be made by the Company under this Agreement in respect of any Letter of Credit, when and as due, including payments in respect of reimbursement of LC Disbursements, interest thereon (including interest accruing, at the rate specified herein, during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) and obligations to provide cash collateral, and (c) the due and punctual payment or performance by the Company of all other monetary obligations under this Agreement or any other Loan Document, including fees, costs, expenses and indemnities, whether primary, secondary, direct, contingent, fixed or otherwise (including monetary obligations accruing, at the rate specified herein or therein, or incurred during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding).

"OFAC" means the United States Treasury Department Office of Foreign Assets Control.

"Other Connection Taxes" means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a

security interest under, engaged in any other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan, Letter of Credit or Loan Document).

"Other Taxes" means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment made pursuant to Section 2.18).

"Participant Register" has the meaning set forth in Section 9.04(c)(ii).

"Participants" has the meaning set forth in Section 9.04(c)(i).

"Payment in Full" means that (a) the Commitments shall have expired or been terminated, (b) the principal of and interest on each Loan and all fees, LC Disbursements and other amounts payable hereunder (other than contingent obligations not then due) shall have been paid in full and all Letters of Credit shall have expired or been terminated (or shall have ceased to be "Letters of Credit" outstanding hereunder pursuant to Section 9.05).

"Payment or Bankruptcy Event of Default" means an Event of Default under paragraph (a), (b), (h) or (i) of Section 7.01.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"Permitted Liens" means:

(a) Liens imposed by law for Taxes that are not yet overdue for a period of more than 30 days or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law (other than any Lien imposed pursuant to Section 430(k) of the Code or Section 303(k) of ERISA or a violation of Section 436 of the Code), securing obligations that are not overdue by more than 90 days or are being contested in good faith by appropriate proceedings;

(c) pledges and deposits made (i) in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws (other than any Lien imposed pursuant to Section 430(k) of the Code or Section 303(k) of ERISA or a violation of Section 436 of the Code) and (ii) in respect of letters of credit, bank guarantees or similar instruments issued for the account of the Company or any Subsidiary in the ordinary course of business supporting obligations of the type set forth in clause (i) above;

(d) pledges and deposits made (i) to secure the performance of bids, trade contracts (other than for payment of Indebtedness), leases (other than Capital Lease Obligations), statutory obligations (other than any Lien imposed pursuant to Section 430(k) of the Code

or Section 303(k) of ERISA or a violation of Section 436 of the Code), surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business and (ii) in respect of letters of credit, bank guarantees or similar instruments issued for the account of the Company or any Subsidiary in the ordinary course of business supporting obligations of the type set forth in clause (i) above;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Section 7.01;

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the Company and the Subsidiaries, taken as a whole;

(g) banker's liens, rights of setoff or similar rights and remedies as to deposit accounts or other funds maintained with depository institutions and securities accounts and other financial assets maintained with securities intermediaries; provided that such deposit accounts or funds and securities accounts or other financial assets are not established or deposited for the purpose of providing collateral for any Indebtedness and are not subject to restrictions on access by the Company or any Subsidiary in excess of those required by applicable banking regulations;

(h) Liens arising by virtue of Uniform Commercial Code financing statement filings (or similar filings under applicable law) regarding operating leases entered into by the Company in the ordinary course of business;

(i) Liens representing any interest or title of a licensor, lessor or sublicensor or sublessor, or a licensee, lessee or sublicensee or sublessee, in the property subject to any lease (other than Capital Lease Obligations), license or sublicense or concession agreement permitted by this Agreement;

(j) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(k) Liens on specific items of inventory or other goods and proceeds thereof of any Person securing such Person's obligations in respect of bankers' acceptances or letters of credit issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods in the ordinary course of business;

(l) deposits of cash with the owner or lessor of premises leased and operated by the Company or any Subsidiary to secure the performance of its obligations under the lease for such premises, in each case in the ordinary course of business;

(m) Liens on cash and cash equivalents deposited with a trustee or a similar Person to defease or to satisfy and discharge any Indebtedness, provided that such defeasance or satisfaction and discharge is permitted hereunder;

(n) Liens that are contractual rights of set-off; and

(o) Liens arising out of consignment or similar arrangements for the sale of goods entered into by the Company in the ordinary course of business.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any "employee pension benefit plan", as defined in Section 3(2) of ERISA (other than a Multiemployer Plan), that is subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Company or any of its ERISA Affiliates is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Platform" has the meaning set forth in Section 9.01(d).

"PNC" means PNC Bank, National Association.

"PNG Acquired Company" means LDC Funding LLC, a Delaware limited liability company.

"PNG Acquisition" means the acquisition by the Company of the PNG Acquired Company pursuant to the PNG Purchase Agreement, in accordance with which the Company will acquire of all of the issued and outstanding limited liability company membership interests of the PNG Acquired Company.

"PNG Acquisition Closing Date" means the date on which the PNG Acquisition is consummated.

"PNG Acquisition Outside Date" means 11:59 p.m., New York City time, on October 22, 2019 (the "Initial Outside Date"); provided that if the Outside Date (as defined in the PNG Purchase Agreement as in effect on the Signing Date) is extended beyond the Initial Outside Date solely in accordance with the first proviso to Section 9.1(b) of the PNG Purchase Agreement (as such proviso permits the extension of the Outside Date under the PNG Purchase Agreement as in effect on the Signing Date), the PNG Acquisition Outside Date shall, upon notice to the Administrative Agent from the Company, be automatically extended (but not beyond 11:59 p.m., New York City time, on April 22, 2020) to be the Outside Date as so extended.

"PNG Acquisition Transactions" means the PNG Acquisition, the financing transactions relating thereto, including the Company Existing Credit Agreement Refinancing, the Company Existing Private Placement Notes Refinancing, the PNG Existing Revolving Facility Refinancing, PNG Existing Term Facility Refinancing and the Securities Transactions and/or the Bridge Loans (if any) made pursuant to the Bridge Facility Agreement, and the payment of fees and expenses in connection with the foregoing.

"PNG Existing Revolving Credit Agreement" means the Second Amended and Restated Credit Agreement dated as of June 8, 2017, among PNG Companies LLC, the several

banks and other financial institutions or entities from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

"PNG Existing Revolving Facility Refinancing" means the payment in full of all principal, interest, fees and other amounts outstanding or due in respect of the PNG Existing Revolving Credit Agreement, the termination of all commitments to extend credit thereunder and the discharge and release of all guarantees and security granted in connection therewith.

"PNG Existing Term Credit Agreement" means the Third Amended and Restated Credit Agreement dated as of December 20, 2017, among LDC Holdings LLC, the lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as administrative agent.

"PNG Existing Term Facility Refinancing" means the payment in full of all principal, interest, premium, if any, and other amounts outstanding or due in respect of the PNG Existing Term Credit Agreement, the termination of all commitments, if any, to extend credit thereunder and the discharge and release of all guarantees and security, if any, granted in connection therewith.

"PNG Limited Conditionality Outside Date" means the date that is the first to occur of (a) the termination of the PNG Purchase Agreement in accordance with its terms prior to the consummation of the PNG Acquisition, (b) the consummation of the PNG Acquisition without the substantially contemporaneous use of a Tranche 2 Borrowing and (c) if the Tranche 2 Availability Date shall not otherwise have occurred on or prior to such time, the PNG Acquisition Outside Date.

"PNG Purchase Agreement" means the Purchase Agreement dated as of October 22, 2018, between the PNG Seller and the Company (including any schedules, exhibits, annexes or other attachments thereto).

"PNG Purchase Agreement Representations" means such of the representations and warranties made by the PNG Seller in the PNG Purchase Agreement as are material to the interests of the Lenders (in their capacities as such), but only to the extent that the Company (or any of its Affiliates) has the right (taking into account any applicable cure periods) to terminate its obligations under the PNG Purchase Agreement or the right to elect not to consummate the PNG Acquisition as a result of a breach of such representations and warranties in the PNG Purchase Agreement.

"PNG Seller" means LDC Parent LLC, a Delaware limited liability company.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by PNC as its prime rate in effect at its principal office in Pittsburgh, Pennsylvania, which rate may not necessarily be the lowest or most favorable rate then being charged to commercial borrowers by PNC. Each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Private Side Lender Representatives" means, with respect to any Lender or Issuing Bank, representatives of such Lender or Issuing Bank that are not Public Side Lender Representatives.

"Pro Forma Basis" and "Pro Forma Effect" mean, as to any Person, for any Material Transaction that occurs subsequent to the commencement of a period for which the effect of such Material Transaction is being calculated, such calculation as will give pro forma effect to such Material Transaction as if such Material Transaction had occurred on the first day of the four consecutive fiscal quarter period ended on or before the occurrence of such Material Transaction for which financial statements shall have been delivered pursuant to Section 5.01(a) or 5.01(b) (or, prior to the first delivery of such financial statements, ending with the last fiscal quarter included in the most recent financial statements referred to in Section 3.04(a)), including that (a) in making any determination of Consolidated Assets, Consolidated Net Income or Consolidated Tangible Assets or any other financial ratio or test, effect shall be given to any Material Transaction and (b) in making any determination on a Pro Forma Basis or of Pro Forma Effect, interest expense of such Person attributable to interest on any Indebtedness, for which pro forma effect is being given as provided in clause (a) above, bearing floating interest rates shall be computed on a pro forma basis as if the rates that would have been in effect during the period for which pro forma effect is being given had been actually in effect during such periods (taking into account any Hedging Agreement applicable to such Indebtedness as reasonably determined by the Company).

"PTE" means a prohibited transaction class exemption issued by the U.S. Department of Labor, as any such exemption may be amended from time to time.

"Public Side Lender Representatives" means, with respect to any Lender or Issuing Bank, representatives of such Lender or Issuing Bank that do not wish to receive MNPI.

"Rating Agencies" means S&P, Moody's and Fitch.

"Recipient" means the Administrative Agent, any Swingline Lender, any Issuing Bank, any other Lender or any combination thereof (as the context requires).

"Register" has the meaning set forth in Section 9.04(b)(iv).

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the directors, officers, partners, members, trustees, employees, agents, administrators, managers, representatives and advisors of such Person and of such Person's Affiliates.

"Release" means any release, spill, emission, leaking, dumping, injection, pouring, deposit, disposal, discharge, dispersal, leaching or migration into or through the environment or within any building, structure, facility or fixture.

"Required Lenders" means, at any time, Lenders having Credit Exposures and unused Commitments representing more than 50% of the sum of the total Credit Exposures and unused Commitments at such time.

"Responsible Officer" means, with respect to any Person, a Financial Officer or the chief executive officer, president, chief administrative officer, senior vice president, general counsel or another executive officer of such Person.

"Restricted Subsidiary" means (a) each Subsidiary listed as a Restricted Subsidiary on Schedule 3.14 and (b) any other Subsidiary that has not been designated as an Unrestricted Subsidiary (or if previously so designated, has been redesignated as a Restricted Subsidiary) pursuant to Section 5.10.

"Resulting Borrowings" has the meaning set forth in Section 2.22(e).

"Revolver Facility Arrangers" means RBC Capital Markets[1] and PNC Capital Markets LLC, in their capacities as the joint lead arrangers and joint bookrunners for the Facilities.

"S&P" means S&P Global Ratings, a division of S&P Global Inc., or any successor to its rating agency business.

"Sanctioned Country" means, at any time, a country, region or territory that is itself or whose government is the subject or target of any Sanctions (at the date of this Agreement, Crimea, Cuba, Iran, North Korea and Syria).

"Sanctioned Person" means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by OFAC or the U.S. Department of State or by the United Nations Security Council, the European Union, any European Union member state or Her Majesty's Treasury of the United Kingdom, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person owned or controlled by any Person or Persons described in the preceding clauses (a) and (b).

"Sanctions" means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by (a) the U.S. government, including those administered by OFAC or the U.S. Department of State, or (b) the United Nations Security Council, the European Union, any European Union member state or Her Majesty's Treasury of the United Kingdom.

"SEC" means the United States Securities and Exchange Commission.

"SEC Reports" means the most recent annual, quarterly or periodic reports publicly filed by the Company with the SEC prior to the Effective Date (excluding any portion thereof under the headings "Risk Factors" and "Cautionary Statements Regarding Forward-Looking Information" and any similar forward-looking statements).

"Securities Act" means the United States Securities Act of 1933.

"Securities Transactions" means the issuance and sale by the Company of (a) senior unsecured notes in an estimated aggregate principal amount of $967,000,000 and (b) equity securities (including securities convertible or exchangeable into or exercisable for equity securities, other equity-linked securities or hybrid debt-equity securities or similar securities) for estimated gross proceeds of $2,500,000,000, in each case, in a registered public offering or private placement in connection with the financing of the PNG Acquisition.

[1] RBC Capital Markets is a brand name for the capital markets activities of Royal Bank of Canada and its affiliates.

"Significant Subsidiary" means, at any time, any Subsidiary that, together with such Subsidiary's subsidiaries, determined on a consolidated basis in accordance with GAAP, accounts for more than 10% of (a) the Consolidated Assets as of the last day of the most recent fiscal quarter for which financial statements shall have been delivered pursuant to Section 5.01(a) or 5.01(b) (or, prior to the first delivery of such financial statements, ending with the last quarter included in the most recent financial statements referred to in Section 3.04(a)), (b) the Consolidated Net Income for the most recent four fiscal quarters ending with the most recent fiscal quarter referenced in clause (a) above or (c) the gross revenues of the Company and the Subsidiaries determined on a consolidated basis in accordance with GAAP for the most recent four fiscal quarters ending with the most recent fiscal quarter referenced in clause (a) above.

"Signing Date" means October 22, 2018.

"Specified Representations" means the representations and warranties set forth in Sections 3.01(a)(i), 3.01(a)(ii), 3.02 (for this purpose, disregarding clause (b) of the definition of the term "Transactions"), 3.03(c) (as to clause (a) of the definition of the term "Transactions"), 3.07(c) (as to the second sentence thereof), 3.08 and 3.13.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves), expressed as a decimal, established by the Board of Governors for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board of Governors). Such reserve percentages shall include those imposed pursuant to such Regulation D. LIBOR Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, (a) any Person the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date and (b) any other Person (i) of which Equity Interests representing more than 50% of the equity value or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (ii) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Company.

"Swingline Borrowing Request" means a request by the Company for a Swingline Loan in accordance with Section 2.04, which shall be, in the case of any such written request, substantially in the form of Exhibit E or any other form approved by the applicable Swingline Lender and the Administrative Agent.

"Swingline Commitment" means, with respect to each Swingline Lender, the commitment of such Swingline Lender to make Swingline Loans hereunder. The initial amount of the Swingline Commitment (a) for PNC is $50,000,000, and (b) for any Swingline Lender that becomes such pursuant to Section 2.04(e), shall be as set forth in the written agreement referred to in such Section pursuant to which such Swingline Lender has been designated as such, and if any Swingline Lender shall have agreed with the Company to modify the amount of its Swingline Commitment, the amount of such Swingline Lender's Swingline Commitment shall, effective upon the date the Administrative Agent shall have received written notice of such modification, be the modified amount agreed to in writing by such Swingline Lender as its Swingline Commitment hereunder; provided that the total Swingline Commitments shall not exceed the Swingline Sublimit.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Tranche 1 Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time, adjusted to give effect to any reallocation under Section 2.20(c) of the Swingline Exposures of Defaulting Lenders in effect at such time.

"Swingline Lender" means (a) PNC and (b) any other Lender or Affiliate of a Lender that shall have become a Swingline Lender hereunder as provided in Section 2.04(e) (in each case, other than any Person that shall have ceased to be a Swingline Lender as provided in Section 2.04(f)), in each case, in its capacity as a lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.04.

"Swingline Sublimit" means $50,000,000.

"Syndication Agent" means the Person identified as such on the cover page of this Agreement.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), value added taxes, or any other goods and services, use or sales taxes, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax and penalties applicable thereto.

"Ticking Fee" has the meaning set forth in Section 2.11(b).

"Ticking Fee Commencement Date" has the meaning set forth in Section 2.11(b).

"Ticking Fee Termination Date" has the meaning set forth in Section 2.11(b).

"Total Tranche 1 Commitments" means the sum of the Tranche 1 Commitments of all Lenders. The Total Tranche 1 Commitments on the Effective Date are $550,000,000.

"Total Tranche 1 Credit Exposure" means, at any time, the sum of the aggregate outstanding principal amount of all Tranche 1 Loans and the aggregate LC Exposure and Swingline Exposure at such time.

"Tranche 1 Commitment" means, with respect to each Lender, the commitment of such Lender to make Tranche 1 Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate permitted amount of such Lender's Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.08, (b) increased as a result of the Conversion of the Tranche 2 Commitment of such Lender pursuant to Section 2.21, (c) increased from time to time pursuant to Section 2.22 or (d) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Tranche 1 Commitment is set forth on Schedule 2.01 or in the Assignment and Assumption or the Incremental Facility Agreement pursuant to which such Lender shall have assumed or provided its Tranche 1 Commitment or is equal to its Converted Tranche 1 Commitment, as applicable. The aggregate amount of the Lenders' Tranche 1 Commitments on the Effective Date is $550,000,000.

"Tranche 1 Lender" means a Lender with a Tranche 1 Commitment or Credit Exposure.

"Tranche 1 Loan" means a Loan (a) made pursuant to clause (a) of Section 2.01 or (b) resulting from the Conversion of a Tranche 2 Loan into a Tranche 1 Loan pursuant to Section 2.21.

"Tranche 2 Availability Date" means the earlier of (a) the date on which the conditions specified in Section 4.03 are satisfied (or waived in accordance with Section 9.02) and (b) the PNG Limited Conditionality Outside Date.

"Tranche 2 Commitment" means, with respect to each Lender, the commitment of such Lender to make a Tranche 2 Loan on the PNG Acquisition Closing Date, expressed as an amount representing the maximum principal amount of the Tranche 2 Loan to be made by such Lender, as such commitment may be (a) reduced from time to time pursuant to Section 2.08 or (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Tranche 2 Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Tranche 2 Commitment, as applicable. The aggregate amount of the Lenders' Tranche 2 Commitments on the Effective Date is $150,000,000.

"Tranche 2 Lender" means a Lender with a Tranche 2 Commitment or a Tranche 2 Loan.

"Tranche 2 Loan" means a Loan made pursuant to clause (b) of Section 2.01.

"Transactions" means (a) the execution, delivery and performance by the Company of the Loan Documents, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit and (b) on the PNG Acquisition Closing Date, the PNG Acquisition Transactions.

"True-Up Borrowing" has the meaning set forth in Section 2.21(b).

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

"Unrestricted Subsidiary" means any Subsidiary which is so designated by the Company pursuant to Section 5.10.

"USA PATRIOT Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001.

"U.S. Person" means a "United States person" within the meaning of Section 7701(a)(30) of the Code.

"U.S. Tax Compliance Certificate" has the meaning set forth in Section 2.16(f)(ii)(B)(3).

"Voting Stock" means, with respect to any Person, outstanding shares of capital stock or other Equity Interests of any class of such Person entitled to vote in the election of directors, or otherwise to participate in the direction of the management and policies, of such Person, excluding shares or other Equity Interests entitled so to vote or participate only upon the happening of some contingency.

"wholly owned", when used in reference to a subsidiary of any Person, means that all the Equity Interests in such subsidiary (other than directors' qualifying shares and other nominal amounts of Equity Interests that are required to be held by other Persons under applicable law) are owned, beneficially and of record, by such Person, another wholly owned subsidiary of such Person or any combination thereof.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such term is defined in Part I of Subtitle E of Title IV of ERISA.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

SECTION 1.02 Classification of Loans and Borrowings. For purposes of this Agreement, Loans and Borrowings may be classified and referred to by Class (*e.g.*, a "Tranche 1 Loan" or "Tranche 1 Borrowing") or by Type *(e.g.,* a "LIBOR Loan" or "LIBOR Borrowing") or by Class and Type (*e.g.*, a "Tranche 1 LIBOR Loan" or "Tranche 1 LIBOR Borrowing").

SECTION 1.03 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". The words "asset" and "property" shall be construed to have the same meaning and effect

and to refer to any and all real and personal, tangible and intangible assets and properties, and all references to "knowledge" or "awareness" of the Company or any Subsidiary means the actual knowledge of a Responsible Officer of the Company. The word "law" shall be construed as referring to all statutes, rules, regulations, codes and other laws (including official rulings and interpretations thereunder having the force of law or with which affected Persons customarily comply), and all judgments, orders, writs and decrees, of all Governmental Authorities. Except as otherwise provided herein and unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document (including this Agreement and the other Loan Documents) shall be construed as referring to such agreement, instrument or other document as from time to time amended, restated, supplemented or otherwise modified (subject to any restrictions on such amendments, restatements, supplements or modifications set forth herein), (b) any definition of or reference to any statute, rule or regulation shall be construed as referring thereto as from time to time amended, supplemented or otherwise modified, and all references to any statute shall be construed as referring to all rules, regulations, rulings and official interpretations promulgated or issued thereunder, (c) any reference herein to any Person shall be construed to include such Person's successors and assigns (subject to any restrictions on assignment set forth herein) and, in the case of any Governmental Authority, any other Governmental Authority that shall have succeeded to any or all functions thereof, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (e) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement.

SECTION 1.04 Accounting Terms; GAAP; Pro Forma Calculations.

(a) Except as otherwise expressly provided herein, all terms of an accounting or financial nature used herein shall be construed in accordance with GAAP as in effect from time to time; provided that (i) if the Company, by notice to the Administrative Agent, shall request an amendment to any provision hereof to eliminate the effect of any change occurring after the Effective Date in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent or the Required Lenders, by notice to the Company, shall request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith and (ii) notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed (other than for purposes of Sections 3.04, 5.01(a) and 5.01(b)), and all computations of amounts and ratios referred to herein shall be made, (A) without giving effect to (x) any election under Financial Accounting Standards Board Accounting Standards Codification 825 (or any other Accounting Standards Codification having a similar result or effect) (and related interpretations) to value any Indebtedness at "fair value", as defined therein, or (y) any other accounting principle that results in any Indebtedness being reflected on a balance sheet at an amount less than the stated principal amount thereof, (B) without giving effect to any treatment of Indebtedness in respect of convertible debt instruments under Accounting Standards Codification 470-20 (or any other Accounting Standards Codification having a similar result or effect) (and related interpretations) to value any such Indebtedness in a reduced or bifurcated manner as described therein, and such Indebtedness shall at all times be

valued at the full stated principal amount thereof, and (C) without giving effect to any change in accounting for leases resulting from the implementation of Financial Accounting Standards Board ASU No. 2016-02, Leases (Topic 842), to the extent any lease (or similar arrangement conveying the right to use) would be required to be treated as a capital lease where such lease (or similar arrangement) would not have been required to be so treated under GAAP as in effect on December 31, 2016.

(b) The parties hereto acknowledge and agree that calculations of Consolidated Assets, Consolidated Net Income or Consolidated Tangible Assets or any other financial ratio or test shall be calculated on a Pro Forma Basis; provided that notwithstanding the foregoing, for purposes of determining compliance with the Financial Covenant, no Material Transaction that occurs subsequent to the last day of the applicable fiscal quarter for which compliance with the Financial Covenant is being determined shall be included on a Pro Forma Basis or be given Pro Forma Effect in making such determination. In making any determination on a Pro Forma Basis or of Pro Forma Effect, calculations shall be made in good faith by a Financial Officer of the Company.

SECTION 1.05 Effectuation of the Transactions. All references herein to the Company and the Subsidiaries on the PNG Acquisition Closing Date shall be deemed to be references to such Persons, and all the representations and warranties of the Company contained in this Agreement or any other Loan Document shall be deemed, on the PNG Acquisition Closing Date to be made, in each case, after giving effect to the PNG Acquisition and the other Transactions to occur on the PNG Acquisition Closing Date, unless the context otherwise expressly requires.

SECTION 1.06 Negative Covenant Compliance. For purposes of determining whether the Company complies with any exception to Article VI (other than the Financial Covenant), it is understood that (a) compliance shall be measured at the time when the relevant event is undertaken, and, for the avoidance of doubt, any financial ratios and metrics therein are intended to be "incurrence" tests and not "maintenance" tests and (b) correspondingly, no change in any financial ratio or metric occurring after the date such compliance is measured shall result in any previously permitted transaction ceasing to be permitted hereunder. For the avoidance of doubt, with respect to determining whether the Company and the Subsidiaries comply with any covenant in Article VI (other than the Financial Covenant), to the extent that any obligation, transaction or action could be attributable to more than one exception to any such covenant, the Company may categorize or re-categorize all or any portion of such obligation, transaction or action to any one or more exceptions to such covenant that permit such obligation, transaction or action.

SECTION 1.07 Timing of Payment or Performance. When the payment of any obligation or the performance of any covenant, duty or obligation is stated to be due or performance required on a day which is not a Business Day, the date of such payment (other than as specifically provided in the definition of the term "Interest Period") or performance shall extend to the immediately succeeding Business Day (it being understood that the foregoing shall cause any grace period associated with any such payment obligation or performance of any covenant, duty or obligation to extend to the immediately succeeding Business Day as well) and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension.

SECTION 1.08 Rounding. Any financial ratios required to be maintained by the Company pursuant to this Agreement (or required to be satisfied in order for a specific action to be permitted under this Agreement) shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number.

SECTION 1.09 Certifications. All certifications to be made hereunder by a Responsible Officer shall be made by such Person in his or her capacity solely as an officer or a representative of the Company, on the Company's behalf and not in such Person's individual capacity.

ARTICLE II

The Credits

SECTION 2.01 Commitments. Subject to the terms and conditions set forth herein, each Lender agrees (a) to make Tranche 1 Loans to the Company from time to time during the Availability Period in an aggregate principal amount that will not result (after giving effect to any application of proceeds of such Tranche 1 Loans pursuant to Section 2.10) in (i) any Lender's Credit Exposure exceeding such Lender's Tranche 1 Commitment or (ii) the Total Tranche 1 Credit Exposure exceeding the Total Tranche 1 Commitments and (b) to make Tranche 2 Loans to the Company on the PNG Acquisition Closing Date in an aggregate principal amount that will not result in (i) the aggregate outstanding principal amount of any Lender's Tranche 2 Loans exceeding such Lender's Tranche 2 Commitment or (ii) the sum of the aggregate outstanding principal amount of all Tranche 2 Loans and the aggregate LC Exposure in respect of Existing Letters of Credit designated as such in accordance with clause (b) of the definition of such term exceeding the sum of the Tranche 2 Commitments of all Lenders. Within the foregoing limits and subject to the terms and conditions set forth herein, the Company may borrow, prepay and reborrow Tranche 1 Loans.

SECTION 2.02 Loans and Borrowings.

(a) Each Loan (other than a Swingline Loan) shall be made as part of a Borrowing consisting of Loans of the same Class and Type made by the Lenders ratably in accordance with their respective Commitments of the applicable Class. Each Swingline Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.13, each Borrowing (other than a Swingline Loan) shall be comprised entirely of ABR Loans or LIBOR Loans as the Company may request in accordance herewith, and shall be denominated in dollars. Each Swingline Loan shall be denominated in dollars. Each Lender at its option may make any LIBOR Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Company to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any LIBOR Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of $100,000 and not less than $1,000,000; provided that a LIBOR Borrowing that results from a continuation of an outstanding LIBOR Borrowing may be in an aggregate amount that is equal to such outstanding Borrowing. At the time that each ABR Borrowing (other than a Swingline Loan) is made, such Borrowing shall be in an aggregate amount that is an integral multiple of $50,000 and not less than $250,000; provided that an ABR Borrowing (i) of any Class may be in an aggregate amount that is equal to the entire unused balance of the total Commitments of such Class or (ii) of Tranche 1 Loans may be in an aggregate amount that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(f). Each Swingline Loan shall be in an aggregate amount that is an integral multiple of $50,000 and not less than $100,000; provided that a Swingline Loan may be in an aggregate amount that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.05(f). Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of 15 (or such greater number as may be agreed by the Administrative Agent) LIBOR Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, the Company shall not be entitled to request, or to elect to convert to or continue, any LIBOR Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date applicable thereto.

SECTION 2.03 Requests for Borrowings. To request a Borrowing (other than a Swingline Loan), the Company shall notify the Administrative Agent of such request by telephone or in writing (a) in the case of a LIBOR Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, on the day of the proposed Borrowing. Each such telephonic and written Borrowing Request shall be irrevocable (except that the Borrowing Request for a Tranche 2 Borrowing may be conditioned on the consummation of the PNG Acquisition and may be revoked, prior to 1:00 p.m. New York City time, on the date of the proposed Borrowing, if such condition is not satisfied) and shall be made (or, if telephonic, confirmed promptly) by hand delivery or fax to the Administrative Agent of an executed written Borrowing Request. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

(i) whether the requested Borrowing is to be a Tranche 1 Borrowing or a Tranche 2 Borrowing;

(ii) the aggregate amount of such Borrowing;

(iii) the date of such Borrowing, which shall be a Business Day;

(iv) in the case of a Tranche 1 Borrowing, whether such Borrowing is to be an ABR Borrowing or a LIBOR Borrowing;

(v) in the case of a Tranche 1 Borrowing that is to be a LIBOR Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term “Interest Period”; and

(vi) the location and number of the account of the Company to which funds are to be disbursed or, in the case of any ABR Borrowing requested to finance the reimbursement of an LC Disbursement as provided in Section 2.05(f), the identity of the Issuing Bank that made such LC Disbursement.

If no election as to the Type of Borrowing is specified, then, subject to Section 2.21 in the case of a Tranche 2 Borrowing, the requested Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested LIBOR Borrowing, then the Company shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the applicable Class of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04 Swingline Loans.

(a) Subject to the terms and conditions set forth herein, each Swingline Lender may, in its sole discretion, make Swingline Loans to the Company from time to time during the Availability Period, provided that, after giving effect thereto, (i) the aggregate principal amount of the Swingline Loans of any Swingline Lender will not exceed its Swingline Commitment, (ii) the Swingline Exposure will not exceed the Swingline Sublimit, (iii) no Lender's Credit Exposure will exceed its Tranche 1 Commitment, (iv) the Total Tranche 1 Credit Exposure will not exceed the Total Tranche 1 Commitments and (v) in the event the Maturity Date shall have been extended as provided in Section 2.19, the sum of the Swingline Exposure attributable to Swingline Loans maturing after any Existing Maturity Date and the LC Exposure attributable to Letters of Credit expiring after such Existing Maturity Date will not exceed the sum of the Tranche 1 Commitments that shall have been extended to a date after the latest maturity date of such Swingline Loans and the latest expiration date of such Letters of Credit. Within the foregoing limits and subject to the terms and conditions set forth herein, the Company may borrow, prepay and reborrow Swingline Loans. For the avoidance of doubt, any reference in this Agreement to a Swingline Lender's "Swingline Commitment", the obligation of any Swingline Lender to make a Swingline Loan being subject to the satisfaction of certain conditions or to a Swingline Lender not being required to fund any Swingline Loan absent the occurrence of certain events (or words of similar import) shall not be deemed to create any obligation of any Swingline Lender to make or fund any Swingline Loan other than in its sole discretion.

(b) To request a Swingline Loan from any Swingline Lender, the Company shall notify the Administrative Agent and such Swingline Lender of such request by telephone or in writing not later than 1:00 p.m., New York City time, on the day of the proposed Swingline Loan. Each such telephonic and written Swingline Borrowing Request shall be irrevocable and shall be made (or, if telephonic, confirmed promptly) by hand delivery or fax to the Administrative Agent and the applicable Swingline Lender of an executed written Swingline Borrowing Request. Each such telephonic and written Swingline Borrowing Request shall specify the Swingline Lender that is requested to provide the requested Swingline Loan, the requested date (which shall be a Business Day) and the amount of the requested Swingline Loan to be made by such Swingline Lender and the location and number of the account of the Company to which funds are to be disbursed or, in the case of any Swingline Loan requested to finance the reimbursement of an LC Disbursement as provided in Section 2.05(f), the identity of the Issuing Bank that has made such

LC Disbursement. Promptly following the receipt of a Swingline Borrowing Request in accordance with this Section, the Administrative Agent shall advise the applicable Swingline Lender of the details thereof. If a Swingline Lender shall have determined, in its sole discretion, to make the Swingline Loan so requested of it, then such Swingline Lender shall make such Swingline Loan available to the Company by means of a wire transfer to the account specified in such Swingline Borrowing Request or to the applicable Issuing Bank, as the case may be, by 4:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) Any Swingline Lender may by written notice given to the Administrative Agent not later than 11:00 a.m., New York City time, on any Business Day require the Tranche 1 Lenders to acquire participations on such Business Day in all or a portion of the outstanding Swingline Loans made by such Swingline Lender. Such notice shall specify the aggregate amount of the Swingline Loans made by such Swingline Lender in which the Tranche 1 Lenders will be required to participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Tranche 1 Lender, specifying in such notice such Tranche 1 Lender's Applicable Percentage of such Swingline Loan or Loans. Each Tranche 1 Lender hereby absolutely and unconditionally agrees to pay, promptly upon receipt of notice as provided above, to the Administrative Agent, for the account of the applicable Swingline Lender, such Tranche 1 Lender's Applicable Percentage of such Swingline Loan or Loans. Each Tranche 1 Lender acknowledges and agrees that, in making any Swingline Loan, each Swingline Lender shall be entitled to rely, and shall not incur any liability for relying, upon the representation and warranty of the Company deemed made pursuant to Section 4.02; unless, at least two Business Days prior to the time such Swingline Loan is made, the Required Lenders shall have notified the applicable Swingline Lender (with a copy to the Administrative Agent) in writing that, as a result of one or more events or circumstances described in such notice, one or more of the conditions precedent set forth in Section 4.02(a) or 4.02(b) would not be satisfied if such Swingline Loan were then made (it being understood and agreed that, in the event any Swingline Lender shall have received any such notice, no Swingline Lender shall have any obligation to make any Swingline Loan until and unless it shall be satisfied that the events and circumstances described in such notice shall have been cured or otherwise shall have ceased to exist). Each Tranche 1 Lender further acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or any reduction or termination of the Tranche 1 Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Tranche 1 Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.06 with respect to Loans made by such Tranche 1 Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Tranche 1 Lenders pursuant to this paragraph), and the Administrative Agent shall promptly remit to the applicable Swingline Lender the amounts so received by it from the Tranche 1 Lenders. The Administrative Agent shall notify the Company of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the applicable Swingline Lender. Any amounts received by any Swingline Lender from the Company (or other Persons on behalf of the Company) in respect of a Swingline Loan after receipt by such Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Tranche 1 Lenders that shall

have made their payments pursuant to this paragraph and to such Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to such Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to the Company for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not constitute a Loan and shall not relieve the Company of its obligations to repay such Swingline Loan.

(d) In addition to making Swingline Loans pursuant to the foregoing provisions of this Section 2.04, without the requirement for a specific request from the Company pursuant to Section 2.04(b), a Swingline Lender may make Swingline Loans to the Company in accordance with the provisions of any agreements between the Company and such Swingline Lender relating to the Company's deposit, sweep and other accounts at such Swingline Lender and related arrangements and agreements regarding the management and investment of the Company's cash assets as in effect from time to time (the "Cash Management Agreements") to the extent of the daily aggregate net negative balance in the Company's accounts which are subject to the provisions of the applicable Cash Management Agreements. Swingline Loans made pursuant to this Section 2.04(d) in accordance with the provisions of the applicable Cash Management Agreements shall (i) be subject to the limitations as to maximum amount set forth in Section 2.04(a), (ii) not be subject to the limitations as to minimum amount and integral multiples set forth in Section 2.02(c), (iii) be payable by the Company, both as to principal and interest, at the times set forth in the applicable Cash Management Agreements (but in no event later than the Maturity Date), (iv) not be made at any time if the Required Lenders shall have notified the applicable Swingline Lender (with a copy to the Administrative Agent) in writing that, as a result of one or more events or circumstances described in such notice, one or more of the conditions precedent set forth in Section 4.02(a) or 4.02(b) would not be satisfied if such Swingline Loan were then made (it being understood and agreed that, in the event any Swingline Lender shall have received any such notice, no Swingline Lender shall have any obligation to make any Swingline Loan until and unless it shall be satisfied that the events and circumstances described in such notice shall have been cured or otherwise shall have ceased to exist), (v) if not repaid by the Company in accordance with the provisions of the applicable Cash Management Agreements, be subject to each Tranche 1 Lender's obligation to purchase participating interests therein pursuant to Section 2.04(c), and (vi) except as provided in the foregoing clauses (i) through (v), be subject to all of the terms and conditions of this Section 2.04. Each Swingline Lender shall report in writing to the Administrative Agent on the Business Day following the date any Swingline Loan is made pursuant to this Section 2.04(d), the date and principal amount of such Swingline Loan, the interest rate applicable thereto and such other information as the Administrative Agent shall reasonably request as to such Swingline Loan.

(e) From time to time, the Company may by notice to the Administrative Agent and the Lenders designate as additional or replacement Swingline Lenders one or more Lenders or Affiliates of a Lender or Lenders that agree to serve in such capacity as provided below. The acceptance by a Lender or such Affiliate of any appointment as a Swingline Lender hereunder shall be evidenced by a written agreement among the Company, the Administrative Agent, such accepting Lender or Affiliate and, in the case of the replacement of any Swingline Lender (except in the case of a resignation by the replaced Swingline Lender pursuant to Section 2.04(f)), the replaced Swingline Lender, which agreement shall set forth the Swingline Commitment of such Lender or Affiliate, and, from and after the effective date of such agreement, (i) such Lender or

Affiliate shall have all the rights and obligations of a Swingline Lender under this Agreement and the other Loan Documents and (ii) references herein and in the other Loan Documents to the term "Swingline Lender" shall be deemed to include such Lender or Affiliate in its capacity as a Swingline Lender. At the time any replacement of a Swingline Lender shall become effective, the Company shall prepay any outstanding Swingline Loans of the replaced Swingline Lender and pay all unpaid interest accrued for the account of the replaced Swingline Lender pursuant to Section 2.12(c). After the replacement of any Swingline Lender hereunder, the replaced Swingline Lender shall remain a party hereto and shall continue to have all the rights and obligations of a Swingline Lender under this Agreement with respect to Swingline Loans made by it prior to its replacement, but shall not make additional Swingline Loans.

(f) Subject to the appointment and acceptance of a successor Swingline Lender in accordance with Section 2.04(e), any Swingline Lender may resign as Swingline Lender at any time upon 30 days' prior written notice to the Administrative Agent, the Company and the Lenders, in which case, such Swingline Lender shall be replaced in accordance with Section 2.04(e).

SECTION 2.05 Letters of Credit.

(a) General. Subject to the terms and conditions set forth herein, the Company may request any Issuing Bank to issue Letters of Credit (or to amend, renew or extend outstanding Letters of Credit) denominated in dollars, for its own account or, so long as the Company is a joint and several co-applicant with respect thereto, for the account of any Subsidiary, in a form reasonably acceptable to the Administrative Agent and the applicable Issuing Bank, at any time and from time to time during the Availability Period (but in any event not after the latest expiration date specified in Section 2.05(c)). In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Company to, or entered into by the Company with, any Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. The Company unconditionally and irrevocably agrees that, in connection with any Letter of Credit issued for the account of any Subsidiary as provided in the first sentence of this paragraph or any Existing Letter of Credit issued for the account of any Subsidiary, the Company will be fully responsible for the reimbursement of LC Disbursements, the payment of interest thereon and the payment of fees due under Section 2.11(c) to the same extent as if it were the sole account party in respect of such Letter of Credit (the Company hereby irrevocably waiving, to the extent permitted by applicable law, any defenses that might otherwise be available to it as a guarantor of the obligations of any Subsidiary that shall be an account party in respect of any such Letter of Credit). This Section 2.05 shall not be construed to impose an obligation upon any Issuing Bank to issue any Letter of Credit if any order, judgment or decree of any Governmental Authority shall by its terms purport to enjoin or restrain such Issuing Bank from issuing such Letter of Credit, or any law applicable to such Issuing Bank or any request or directive (whether or not having the force of law) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that such Issuing Bank refrain from, the issuance of letters of credit generally or such Letter of Credit in particular. The issuance of Letters of Credit by any Issuing Bank shall be subject to the customary procedures of such Issuing Bank. No Issuing Bank shall be required to issue (but if requested as set forth above, may issue) trade or commercial Letters of Credit.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit (other than an automatic renewal or extension permitted pursuant to Section 2.05(c))), the Company shall hand deliver or fax (or transmit by electronic communication, if arrangements for doing so have been approved by the recipient) to the applicable Issuing Bank and the Administrative Agent at least five Business Days (or such shorter period as may be agreed by such Issuing Bank) in advance of the requested date of issuance, amendment, renewal or extension a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the requested date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with Section 2.05(c)), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to enable the applicable Issuing Bank to prepare, amend, renew or extend such Letter of Credit. If requested by the applicable Issuing Bank, the Company also shall submit a letter of credit application on such Issuing Bank's standard form in connection with such request. A Letter of Credit shall be issued, amended to increase the amount thereof, renewed or extended only if (and upon each issuance, amendment, renewal or extension of any Letter of Credit the Company shall be deemed to represent and warrant that), after giving effect thereto, (i) the LC Exposure attributable to Letters of Credit issued by any Issuing Bank will not exceed the LC Commitment of such Issuing Bank, (ii) the LC Exposure will not exceed the LC Sublimit, (iii) no Lender's Credit Exposure will exceed its Tranche 1 Commitment, (iv) the Total Tranche 1 Credit Exposure will not exceed the Total Tranche 1 Commitments and (v) in the event the Maturity Date shall have been extended as provided in Section 2.19, the sum of the LC Exposure attributable to Letters of Credit expiring after any Existing Maturity Date and the Swingline Exposure attributable to Swingline Loans maturing after such Existing Maturity Date will not exceed the sum of the Tranche 1 Commitments that shall have been extended to a date after the latest expiration date of such Letters of Credit and the latest maturity date of such Swingline Loans.

(c) Expiration Date. Each Letter of Credit shall expire (or be subject to termination by notice from the applicable Issuing Bank to the beneficiary thereof) at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension), provided that a Letter of Credit may, upon the request of the Company, include a provision whereby such Letter of Credit shall be renewed automatically for additional consecutive periods of one year or less (subject to clause (ii) below) unless the applicable Issuing Bank notifies the Company and the beneficiary thereof at least 30 days prior to the then-applicable expiration date that such Letter of Credit will not be renewed, and (ii) (A) the date that is five Business Days prior to the Maturity Date or (B) such later date as the Issuing Bank that issues such Letter of Credit may agree to the extent that on the date of the issuance, renewal, amendment or extension of such Letter of Credit, as applicable, such Letter of Credit is cash collateralized in a manner (and in an amount not less than 103% of the face amount of such Letter of Credit) acceptable to such Issuing Bank in its sole discretion; provided that in the event that an Issuing Bank consents to an expiration date for any Letter of Credit that is after the date referred to in clause (ii)(A) above, the Lenders shall cease to have risk participations therein on the date that is five Business Days prior to the Maturity Date (except to the extent of any LC Disbursement made on or prior to such date or, solely in the event any rule of law or uniform practices to which such Letter of Credit is subject (including Section 3.14 of ISP 98 or any successor publication of the International Chamber of

Commerce) permits a drawing to be made under such Letter of Credit after the expiration thereof, after such date).

(d) Participations. Subject to the last proviso in Section 2.05(c), by the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Tranche 1 Lenders, the Issuing Bank that is the issuer thereof hereby grants to each Tranche 1 Lender, and each Tranche 1 Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Tranche 1 Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of such Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Company on the date due as provided in Section 2.05(f), or of any reimbursement payment required to be refunded to the Company for any reason. Each Tranche 1 Lender acknowledges and agrees that, subject to the last proviso in Section 2.05(c), (i) its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of any Default, any reduction or termination of the Tranche 1 Commitments or any force majeure or other event that under any rule of law or uniform practices to which any Letter of Credit is subject (including Section 3.14 of ISP 98 or any successor publication of the International Chamber of Commerce) permits a drawing to be made under such Letter of Credit after the expiration thereof or of the Tranche 1 Commitments, and (ii) each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender further acknowledges and agrees that, in issuing any Letter of Credit (or amending any Letter of Credit to increase the amount thereof), the applicable Issuing Bank shall be entitled to rely, and shall not incur any liability for relying, upon the representation and warranty of the Company deemed made pursuant to Section 4.02, unless, at least two Business Days prior to the time such Letter of Credit is issued or amended to increase the amount thereof, the Required Lenders shall have notified the applicable Issuing Bank (with a copy to the Administrative Agent) in writing that, as a result of one or more events or circumstances described in such notice, one or more of the conditions precedent set forth in Section 4.02(a) or 4.02(b) would not be satisfied if such Letter of Credit were then issued or so amended (it being understood and agreed that, in the event any Issuing Bank shall have received any such notice, no Issuing Bank shall have any obligation to issue or so amend any Letter of Credit until and unless it shall be satisfied that the events and circumstances described in such notice shall have been cured or otherwise shall have ceased to exist).

(e) Disbursements. Each Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit issued by it and shall promptly notify the Administrative Agent and the Company by telephone (confirmed by hand delivery or fax) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Company of its obligation to reimburse such LC Disbursement.

(f) Reimbursement. If an Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the Company shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 1:00 p.m., New York City time, on the date that such LC Disbursement is made, if the Company shall have received notice of such LC Disbursement prior to 11:00 a.m., New York City time, on such date, or, if such notice has not been received by the Company prior to such time on such date, then not later than 1:00 p.m., New York City time, on the Business Day immediately following the day that the Company receives notice of such LC Disbursement; provided that, if such LC Disbursement is not less than $250,000 (or, in the case of an LC Disbursement to be financed with a Swingline Loan, not less than $100,000), the Company may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.04 that such payment be financed with a Tranche 1 ABR Borrowing or a Swingline Loan in an equivalent amount and, to the extent so financed, the Company's obligation to make such payment shall be discharged and replaced by the resulting Tranche 1 ABR Borrowing or Swingline Loan. If the Company fails to make any such reimbursement payment when due, the Administrative Agent shall notify each Tranche 1 Lender of the applicable LC Disbursement, the amount of the payment then due from the Company in respect thereof and such Lender's Applicable Percentage thereof, and each Tranche 1 Lender shall pay to the Administrative Agent on the date such notice is received its Applicable Percentage of the payment then due from the Company, in the same manner as provided in Section 2.06 with respect to Loans made by such Lender (and Section 2.06 shall apply, mutatis mutandis, to the payment obligations of the Tranche 1 Lenders pursuant to this paragraph), and the Administrative Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the Tranche 1 Lenders. Promptly following receipt by the Administrative Agent of any payment from the Company pursuant to this paragraph, the Administrative Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Tranche 1 Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Tranche 1 Lenders and such Issuing Bank as their interests may appear. Any payment made by a Tranche 1 Lender pursuant to this paragraph to reimburse an Issuing Bank for any LC Disbursement (other than the funding of a Tranche 1 ABR Loan or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Company of its obligation to reimburse such LC Disbursement.

(g) Obligations Absolute. The Company's obligation to reimburse LC Disbursements as provided in Section 2.05(f) is absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement or any other Loan Document, or any term or provision thereof or hereof, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by an Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, (iv) any force majeure or other event that under any rule of law or uniform practices to which any Letter of Credit is subject (including Section 3.14 of ISP 98 or any successor publication of the International Chamber of Commerce) permits a drawing to be made under such Letter of Credit after the stated expiration date thereof or of the Tranche 1 Commitments or (v) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this paragraph, constitute a legal or equitable discharge of, or provide a right of setoff against, the Company's obligations hereunder. None of the Administrative Agent, the Lenders, the Issuing

Banks or any of their Related Parties shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit, any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any other act, failure to act or other event or circumstance; provided that the foregoing shall not be construed to excuse any Issuing Bank from liability to the Company to the extent of any direct damages (as opposed to special, indirect, consequential or punitive damages, claims in respect of which are hereby waived by the Company to the extent permitted by applicable law) suffered by the Company that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that unless a court of competent jurisdiction shall have determined in a final and nonappealable judgment that in making any such determination the applicable Issuing Bank acted with gross negligence or willful misconduct, such Issuing Bank shall be deemed to have exercised care in such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented that appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(h) Interim Interest. If an Issuing Bank shall make any LC Disbursement, then, unless the Company shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Company reimburses such LC Disbursement, at the rate per annum then applicable to Tranche 1 ABR Loans and such interest shall be due and payable on the date when such reimbursement is payable; provided that, if the Company fails to reimburse such LC Disbursement when due pursuant to Section 2.05(f), then Section 2.12(d) shall apply. Interest accrued pursuant to this paragraph shall be paid to the Administrative Agent, for the account of the applicable Issuing Bank, except that interest accrued on and after the date of payment by any Tranche 1 Lender pursuant to Section 2.05(f) to reimburse such Issuing Bank shall be paid to the Administrative Agent for the account of such Lender to the extent of such payment, and shall be payable on demand or, if no demand has been made, on the date on which the Company reimburses the applicable LC Disbursement in full.

(i) Designation of Additional Issuing Banks. The Company may, at any time and from time to time, with the consent of the Administrative Agent (which consent shall not be unreasonably withheld, delayed or conditioned), designate as additional Issuing Banks one or more Lenders that agree to serve in such capacity as provided below. The acceptance by a Lender of an appointment as an Issuing Bank hereunder shall be evidenced by a written agreement, which shall be in form and substance reasonably satisfactory to the Administrative Agent, executed by the Company, the Administrative Agent and such designated Lender and shall set forth the initial LC Commitment of such designated Issuing Bank and, from and after the effective date of such agreement, (i) such Lender shall have all the rights and obligations of an Issuing Bank under this

Agreement and (ii) references herein and in the other Loan Documents to the term "Issuing Bank" shall be deemed to include such Lender in its capacity as an issuer of Letters of Credit hereunder.

(j) Termination of an Issuing Bank. The Company may terminate the appointment of any Issuing Bank as an "Issuing Bank" hereunder by providing a written notice thereof to such Issuing Bank, with a copy to the Administrative Agent. Any such termination shall become effective upon the earlier of (i) such Issuing Bank acknowledging receipt of such notice and (ii) the 10th Business Day following the date of the delivery thereof; provided that no such termination shall become effective until and unless the LC Exposure attributable to Letters of Credit issued by such Issuing Bank (or its Affiliates) shall have been reduced to zero. At the time any such termination shall become effective, the Company shall pay all unpaid fees accrued for the account of the terminated Issuing Bank pursuant to Section 2.11(c). Notwithstanding the effectiveness of any such termination, the terminated Issuing Bank shall remain a party hereto and shall continue to have all the rights of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such termination, but shall not issue any additional Letters of Credit.

(k) Issuing Bank Reports to the Administrative Agent. Unless otherwise agreed by the Administrative Agent, each Issuing Bank shall, in addition to its notification obligations set forth elsewhere in this Section 2.05, report in writing to the Administrative Agent (i) periodic activity (for such period or recurrent periods as shall be requested by the Administrative Agent) in respect of Letters of Credit issued by such Issuing Bank, including all issuances, extensions, amendments and renewals, all expirations and cancellations and all disbursements and reimbursements, (ii) reasonably prior to the time that such Issuing Bank issues, amends, renews or extends any Letter of Credit, the date of such issuance, amendment, renewal or extension, and the stated amount of the Letters of Credit issued, amended, renewed or extended by it and outstanding after giving effect to such issuance, amendment, renewal or extension (and whether the amounts thereof shall have changed), (iii) on any Business Day on which the Company fails to reimburse an LC Disbursement required to be reimbursed to such Issuing Bank on such day, the date of such failure and the amount of such LC Disbursement and (iv) on any other Business Day, such other information as the Administrative Agent shall reasonably request as to the Letters of Credit issued by such Issuing Bank.

(l) LC Exposure Determination. For all purposes of this Agreement, the amount of a Letter of Credit that, by its terms or the terms of any document related thereto, provides for one or more automatic increases in the stated amount thereof shall be deemed to be the maximum stated amount of such Letter of Credit after giving effect to all such increases (other than any such increase consisting of the reinstatement of an amount previously drawn thereunder and reimbursed), whether or not such maximum stated amount is in effect at the time of determination.

(m) Existing Letters of Credit. Each Existing Letter of Credit shall be deemed (in the case of any Existing Letter of Credit referred to in clause (b) of the definition of such term, on the PNG Acquisition Closing Date), for all purposes of this Agreement (including Sections 2.05(d) and 2.05(f)), to be a Letter of Credit issued hereunder and the Company shall be deemed to be the applicant and account party for each Existing Letter of Credit. It is understood and agreed that, unless such Person shall have become an Issuing Bank hereunder pursuant to

Section 2.05(i), no Existing Letter of Credit Issuing Bank shall, or shall have any obligation to, issue any Letter of Credit.

(n) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Company receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposures representing greater than 50% of the total LC Exposure) demanding the deposit of cash collateral pursuant to this paragraph, the Company shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders and the Issuing Banks, an amount in dollars equal to the LC Exposure as of such date, plus any accrued and unpaid interest and fees thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Company described in Section 7.01(h) or 7.01(i). The Company shall also deposit cash collateral in accordance with this paragraph as and to the extent required by Section 2.10 or 2.20. Each such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Company under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Company's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Banks for LC Disbursements for which they have not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Company for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of (A) Lenders with LC Exposures representing greater than 50% of the total LC Exposure and (B) in the case of any such application at a time when any Tranche 1 Lender is a Defaulting Lender (but only if, after giving effect thereto, the remaining cash collateral shall be less than the aggregate LC Exposure of all Tranche 1 Lenders that are Defaulting Lenders), the consent of each Issuing Bank), be applied to satisfy other obligations of the Company under this Agreement. If the Company is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Company within three Business Days after all Events of Default have been cured or waived. If the Company is required to provide an amount of cash collateral hereunder pursuant to Section 2.10, such amount (to the extent not applied as aforesaid) shall be returned to the Company to the extent that the applicable excess referred to in such Section shall have been eliminated and no Event of Default shall have occurred and be continuing. If the Company provides an amount of cash collateral hereunder pursuant to Section 2.20, such amount (to the extent not applied as aforesaid) shall be returned to the Company, upon request of the Company, to the extent that, after giving effect to such return, no Issuing Bank shall have any exposure in respect of any outstanding Letter of Credit that is not fully covered by the Tranche 1 Commitments of the Non-Defaulting Lenders and/or the remaining cash collateral and no Default shall have occurred and be continuing.

SECTION 2.06 Funding of Borrowings.

(a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 1:00 p.m., New York City time (or, in the case of Tranche 2 Loans to be made on the PNG Acquisition Closing Date, such earlier time on such date as may be specified by the Administrative Agent to the Tranche 2 Lenders, provided that such time shall be not less than two hours after the time the Tranche 2 Lenders shall have been advised by the Administrative Agent of its receipt of a Borrowing Request with respect to Tranche 2 Loans), to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that (i) to the extent any Tranche 1 Lender would not have been required to make a Tranche 1 Loan but for the parenthetical clause set forth in clause (a) of Section 2.01, the obligation of such Tranche 1 Lender to actually wire transfer immediately available funds with respect to such Tranche 1 Loan shall be net of any portion of the prepayment of Tranche 1 Loans referred to in such parenthetical clause that would be applied to the Tranche 1 Loans of such Tranche 1 Lender, (ii) the obligation of any Tranche 1 Lender to actually wire transfer immediately available funds with respect to its portion of the True-Up Borrowing shall be subject to the penultimate sentence of Section 2.21(b) and (iii) Swingline Loans shall be made as provided in Section 2.04. The Administrative Agent will make such Loans available to the Company by promptly remitting the amounts so received, in like funds, to the account designated by the Company in the applicable Borrowing Request; provided that Tranche 1 ABR Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.05(f) shall be remitted by the Administrative Agent to the applicable Issuing Bank specified in the applicable Borrowing Request.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with Section 2.06(a) and may, in reliance on such assumption, make available to the Company a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Company severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Company to but excluding the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of a payment to be made by the Company, the interest rate applicable to Tranche 1 ABR Loans. If the Company and such Lender shall pay such interest to the Administrative Agent for the same or an overlapping period, the Administrative Agent shall promptly remit to the Company the amount of such interest paid by the Company for such period. If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing. Any payment by the Company shall be without prejudice to any claim the Company may have against a Lender that shall have failed to make such payment to the Administrative Agent.

SECTION 2.07 Interest Elections.

(a) Each Borrowing initially shall be of the Type and, in the case of a LIBOR Borrowing, shall have an initial Interest Period as specified in the applicable Borrowing Request or as otherwise provided in Section 2.03. Thereafter, the Company may elect to convert such Borrowing to a Borrowing of a different Type or to continue such Borrowing and, in the case of a LIBOR Borrowing, may elect Interest Periods therefor, all as provided in this Section 2.07. The Company may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section 2.07 shall not apply to Swingline Loans, which may not be converted or continued.

(b) To make an election pursuant to this Section 2.07, the Company shall notify the Administrative Agent of such election by telephone or in writing by the time that a Borrowing Request would be required under Section 2.03 if the Company were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic and written Interest Election Request shall be irrevocable and shall be made (or, if telephonic, confirmed promptly) by hand delivery or fax to the Administrative Agent of an executed written Interest Election Request. Each such telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a LIBOR Borrowing; and

(iv) if the resulting Borrowing is a LIBOR Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term “Interest Period”.

If any such Interest Election Request requests a LIBOR Borrowing but does not specify an Interest Period, then the Company shall be deemed to have selected an Interest Period of one month’s duration.

(c) Promptly following receipt of an Interest Election Request in accordance with this Section, the Administrative Agent shall advise each Lender of the applicable Class of the details thereof and of such Lender’s portion of each resulting Borrowing.

(d) If the Company fails to deliver a timely Interest Election Request with respect to a LIBOR Borrowing prior to the end of the Interest Period applicable thereto, then,

unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default under Section 7.01(h) or 7.01(i) has occurred and is continuing with respect to the Company, or if any other Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Company of the election to give effect to this sentence on account of such other Event of Default, then, in each such case, so long as such Event of Default is continuing, (i) no outstanding Borrowing may be converted to or continued as a LIBOR Borrowing and (ii) unless repaid, each LIBOR Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.08 Termination and Reduction of Commitments. (a) Unless previously terminated, Commitments shall terminate on the Maturity Date applicable thereto.

(b) The Company may at any time terminate, or from time to time permanently reduce, the Commitments of any Class; provided that (i) each reduction of the Commitments of a Class shall be in an amount that is an integral multiple of $1,000,000 and not less than $5,000,000 and (ii) the Company shall not terminate or reduce the Tranche 1 Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.10, (A) the Credit Exposure of any Lender would exceed its Tranche 1 Commitment or (B) the Total Tranche 1 Credit Exposure would exceed the Total Tranche 1 Commitments.

(c) The Company shall notify the Administrative Agent of any election to terminate or reduce the Commitments under Section 2.08(b) at least three Business Days prior to the effective date of such termination or reduction (or such shorter period as the Administrative Agent may agree to in writing), specifying the effective date thereof. Promptly following receipt of any such notice, the Administrative Agent shall advise the Lenders of the applicable Class of the contents thereof. Each notice delivered by the Company pursuant to this Section 2.08(c) shall be irrevocable; provided that a notice of termination or reduction of the Commitments of any Class under Section 2.08(b) may state that such notice is conditioned upon the occurrence of one or more events specified therein, in which case such notice may be revoked by the Company (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not, or is not expected to be, satisfied. Any termination or reduction of the Commitments of any Class shall be permanent. Each reduction of the Commitments of any Class shall be made ratably among the Lenders in accordance with their respective Commitments of such Class.

SECTION 2.09 Repayment of Loans; Evidence of Debt. (a) The Company hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan of such Lender on the Maturity Date applicable to such Loan and (ii) to each Swingline Lender the then unpaid principal amount of each Swingline Loan of such Swingline Lender on the Maturity Date or, if any Cash Management Agreement is in effect, on such other date (but in no event later than the Maturity Date) as provided in Section 2.04(d).

(b) The records maintained by the Administrative Agent and the Lenders shall (in the case of the Lenders, to the extent they are not inconsistent with the records maintained by the Administrative Agent pursuant to Section 9.04(b)(iv)) be, in the absence of manifest error, prima facie evidence of the existence and amounts of the obligations of the Company in respect of

the Loans, LC Disbursements, interest and fees due or accrued hereunder; provided that the failure of the Administrative Agent or any Lender to maintain such records or any error therein shall not in any manner affect the obligation of the Company to pay any amounts due hereunder in accordance with the terms of this Agreement.

(c) Any Lender may request that Loans of any Class made by such Lender be evidenced by a promissory note. In such event, the Company shall prepare, execute and deliver to such Lender a promissory note payable to such Lender and its registered assigns and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the payee named therein and its registered assigns.

SECTION 2.10 Prepayment of Loans. (a) The Company shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, without premium or penalty, subject to the requirements of this Section 2.10.

(b) If at any time the Total Tranche 1 Credit Exposure exceeds the Total Tranche 1 Commitments, then, the Company shall, without notice or demand, immediately (i) prepay the Tranche 1 Borrowings or Swingline Loans in an aggregate principal amount equal to such excess and (ii) if any excess remains (or would remain) after prepaying all of the Tranche 1 Borrowings and Swingline Loans as a result of an LC Exposure, cash collateralize such excess as provided in Section 2.05(n).

(c) The Company shall notify the Administrative Agent (and, in the case of a prepayment of a Swingline Loan, the applicable Swingline Lender) by telephone (confirmed by hand delivery or fax) or in writing of any prepayment hereunder (i) in the case of prepayment of a LIBOR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment (or such shorter period as may be agreed to by the Administrative Agent in writing), (ii) in the case of prepayment of an ABR Borrowing (other than a Swingline Loan), not later than 11:00 a.m., New York City time, on the date of prepayment (or such later time as may be agreed to by the Administrative Agent in writing) and (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 p.m., New York City time, on the date of prepayment (or such later time as may be agreed to by the applicable Swingline Lender and the Administrative Agent in writing). Each such notice shall be irrevocable and shall specify the prepayment date, the Borrowing or Borrowings to be prepaid, the principal amount of each such Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination or reduction of any Commitments as contemplated by Section 2.08, then such notice of prepayment may be revoked by the Company (by notice to the Administrative Agent) if such notice of termination or reduction is revoked in accordance with Section 2.08. Promptly following receipt of any such notice (other than a notice relating solely to Swingline Loans), the Administrative Agent shall advise the Lenders of the applicable Class of the contents thereof. Each partial prepayment of any Borrowing shall be in an amount that would be permitted in the case of an advance of a Borrowing of the same Type as provided in Section 2.02 (or, if less, the outstanding principal amount of the Loans). Each prepayment of a Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.12.

SECTION 2.11 Fees. (a) The Company agrees to pay to the Administrative Agent for the account of each Tranche 1 Lender a commitment fee (the "Commitment Fee"), which shall accrue at the Applicable Rate on the daily maximum aggregate undrawn amount of the Tranche 1 Commitment (including, from and after the Conversion, any Converted Tranche 1 Commitment) of such Lender during the period from and including the Effective Date to but excluding the date on which such Tranche 1 Commitment terminates. Commitment Fees accrued through and including the last day of March, June, September and December of each year shall be payable in arrears on the first Business Day after such last day, commencing on the first such date to occur after the Effective Date, and accrued Commitment Fees shall also be payable in arrears on the date on which Tranche 1 Commitments terminate. All Commitment Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day). For purposes of computing Commitment Fees, (i) the Tranche 1 Commitment of a Lender (other than any Swingline Lender) shall be deemed to be used to the extent of the outstanding Tranche 1 Loans and LC Exposure of such Lender (and the Swingline Exposure of such Lender shall be disregarded for such purpose) and (ii) the Tranche 1 Commitment of any Swingline Lender shall be deemed to be used to the extent of the outstanding Tranche 1 Loans and LC Exposure of such Swingline Lender and the outstanding Swingline Loans of such Swingline Lender (except any portion of such Swingline Loans that are subject to participations purchased by the Lenders pursuant to Section 2.04(c)).

(b) The Company agrees to pay to the Administrative Agent for the account of each Tranche 2 Lender a ticking fee (the "Ticking Fee"), which shall accrue at the Applicable Rate on the daily maximum aggregate amount of the Tranche 2 Commitment of such Lender during the period from and including the date that is 90 days after the Effective Date (such date, the "Ticking Fee Commencement Date") to but excluding the date that is the earlier of (i) the Conversion Date and (ii) the date on which the Tranche 2 Commitments terminate in full (such earlier date, the "Ticking Fee Termination Date"). Ticking Fees accrued through and including the last day of March, June, September and December of each year shall be payable in arrears on the first Business Day after such last day, commencing on the first such date to occur after the Ticking Fee Commencement Date, and accrued Ticking Fees shall also be payable in arrears on the Ticking Fee Termination Date. All Ticking Fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Company agrees to pay (i) to the Administrative Agent for the account of each Tranche 1 Lender a participation fee with respect to its participations in Letters of Credit (an "LC Participation Fee"), which shall accrue at the Applicable Rate used to determine the interest rate applicable to Tranche 1 LIBOR Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Tranche 1 Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to each Issuing Bank a fronting fee, which shall accrue at the rate of 0.125% per annum on the average daily amount of the LC Exposure attributable to Letters of Credit issued by such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Tranche 1 Commitments and the date on which there ceases to be any such LC Exposure, as well as such Issuing Bank's standard fees with respect to the

issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. LC Participation Fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable in arrears on the first Business Day after such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Tranche 1 Commitments terminate and any such fees accruing after the date on which the Tranche 1 Commitments terminate shall be payable on demand. Any other fees payable to an Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All LC Participation Fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(d) The Company agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Company and the Administrative Agent.

(e) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to an Issuing Bank, in the case of fees payable to it) for distribution, in the case of the Commitment Fee, the Ticking Fee and the LC Participation Fee, to the Lenders entitled thereto. Fees paid shall not be refundable under any circumstances.

SECTION 2.12 Interest. (a) The Loans comprising each ABR Borrowing (other than any Swingline Loan) shall bear interest at the Alternate Base Rate plus the Applicable Rate.

(b) The Loans comprising each LIBOR Borrowing (other than any Swingline Loan) shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Each Swingline Loan shall bear interest, for any day, (i) at the rate per annum that is mutually agreed to by the Company and the applicable Swingline Lender at the time such Swingline Loan is made or (ii) if there are Cash Management Agreements in place with the applicable Swingline Lender, at the Adjusted LIBO Rate (for such Interest Period as shall be provided for in such Cash Management Agreements or as otherwise agreed by the Company and such Swingline Lender in writing) plus the applicable rate (determined in accordance with such Cash Management Agreements); provided that if any Swingline Lender shall have provided any notice pursuant to Section 2.04(c), then from and after the date of such notice (and until the Lenders shall hold no participations in the applicable Swingline Loans) each Swingline Loan subject to such notice shall bear interest at the Alternate Base Rate plus the Applicable Rate applicable to Tranche 1 ABR Loans as provided in Section 2.12(a).

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Company hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2.00% per annum plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2.00% per annum plus the rate applicable to Tranche 1 ABR Loans as provided in Section 2.12(a).

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan and, in the case of Loans of any Class, upon termination of the Commitments of such Class; provided that (i) interest accrued pursuant to Section 2.12(d) shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of a Tranche 1 ABR Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion or continuation of a LIBOR Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion or continuation, (iv) in the event of the Conversion of the Tranche 2 Loans, interest for the Conversion Date shall accrue only on the Converted Tranche 1 Loans and shall not accrue on the Tranche 2 Loans and (v) if any Cash Management Agreement is in effect, accrued interest on each applicable Swingline Loan shall be payable as provided in Section 2.04(d).

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that (i) interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and (ii) unless any Swingline Lender shall have provided any notice pursuant to Section 2.04(c), interest on Swingline Loans shall be computed in accordance with the foregoing or as otherwise provided in the applicable Cash Management Agreement, and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate or Adjusted LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.13 Alternate Rate of Interest.

(a) If prior to the commencement of any Interest Period for a LIBOR Borrowing of any Class:

(i) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate (including because the LIBO Screen Rate is not available or published on a current basis) for such Interest Period; or

(ii) the Administrative Agent is advised by a Majority in Interest of the Lenders of such Class that the Adjusted LIBO Rate for such Interest Period will not adequately and fairly reflect the cost to such Lenders of making or maintaining their Loans included in such LIBOR Borrowing for such Interest Period;

then the Administrative Agent shall give notice (which may be telephonic) thereof to the Company and the Lenders of such Class as promptly as practicable and, until the Administrative Agent notifies the Company and the Lenders of such Class that the circumstances giving rise to such notice no longer exist, (A) any Interest Election Request that requests the conversion of any Borrowing of such Class to, or continuation of any Borrowing of such Class as, a LIBOR Borrowing shall be ineffective, and such Borrowing shall be continued as an ABR Borrowing, and

(B) any Borrowing Request for a LIBOR Borrowing of such Class shall be treated as a request for an ABR Borrowing.

(b) If at any time the Administrative Agent determines or is advised by the Required Lenders that they shall have determined that (i) the circumstances set forth in Section 2.13(a)(i) have arisen (including because the LIBO Screen Rate is not available or published on a current basis) and such circumstances are unlikely to be temporary or (ii) the circumstances set forth in Section 2.13(a)(i) have not arisen but either (w) the supervisor for the administrator of the LIBO Screen Rate has made a public statement that the administrator of the LIBO Screen Rate is insolvent (and there is no successor administrator that will continue publication of the LIBO Screen Rate), (x) the administrator of the LIBO Screen Rate has made a public statement identifying a specific date after which the LIBO Screen Rate will permanently or indefinitely cease to be published by it (and there is no successor administrator that will continue publication of the LIBO Screen Rate), (y) the supervisor for the administrator of the LIBO Screen Rate has made a public statement identifying a specific date after which the LIBO Screen Rate will permanently or indefinitely cease to be published or (z) the supervisor for the administrator of the LIBO Screen Rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the LIBO Screen Rate shall no longer be used for determining interest rates for loans denominated in dollars, then the Administrative Agent and the Company shall endeavor to establish an alternate rate of interest to the LIBO Screen Rate that gives due consideration to the then prevailing market convention in the United States for determining a rate of interest for syndicated loans denominated in dollars at such time, and the Administrative Agent and the Company shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable (it being understood that such amendment shall not reduce the Applicable Rate); provided that if such alternate rate of interest shall be less than zero, such rate shall be deemed to be zero for all purposes of this Agreement. Such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date a copy of such amendment is provided to the Lenders, a written notice from the Required Lenders stating that the Required Lenders object to such amendment. Until an alternate rate of interest shall be determined in accordance with this paragraph (but, in the case of the circumstances described in clause (ii)(w), clause (ii)(x) or clause (ii)(y) of the first sentence of this paragraph, only to the extent the LIBO Screen Rate for such Interest Period is not available or published at such time on a current basis), (A) any Interest Election Request that requests the conversion of any Borrowing to, or continuation of any Borrowing as, a LIBOR Borrowing shall be ineffective, and such Borrowing shall be continued as an ABR Borrowing, and (B) any Borrowing Request for a LIBOR Borrowing shall be treated as a request for an ABR Borrowing.

SECTION 2.14 Increased Costs; Illegality. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement) against assets of, deposits with or for the account of, or credit extended or participated in by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank;

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or the Loans made by such Lender or any Letter of Credit or participation therein; or

(iii) subject any Recipient to any Taxes (other than (A) Indemnified Taxes, (B) Taxes described in clauses (b) through (d) of the definition of the term "Excluded Taxes" and (C) Connection Income Taxes) on its loans, letters of credit, commitments or other obligations, or its deposits, reserves, other liabilities or capital attributable thereto;

and the result of any of the foregoing shall be to increase the cost to such Lender or other Recipient of making, converting to, continuing or maintaining any Loan or of maintaining its obligation to make any Loan, or to increase the cost to such Lender, Issuing Bank or other Recipient of participating in, issuing or maintaining any Letter of Credit (or of maintaining its obligation to participate in or issue any Letter of Credit), or to reduce the amount of any sum received or receivable by such Lender, Issuing Bank or other Recipient hereunder (whether of principal, interest or any other amount), then, from time to time following request of such Lender, Issuing Bank or other Recipient (accompanied by a certificate in accordance with Section 2.14(c), the Company will pay to such Lender, Issuing Bank or other Recipient, as the case may be, such additional amount or amounts as will compensate such Lender, Issuing Bank or other Recipient for such additional costs or expenses incurred or reduction suffered.

(b) If any Lender or any Issuing Bank determines that any Change in Law affecting such Lender or Issuing Bank or any lending office of such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company, if any, regarding capital or liquidity requirements has had or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement, the Commitments of such Lender or the Loans made by, or participations in Letters of Credit or Swingline Loans held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy and liquidity), then, from time to time following the request of such Lender or Issuing Bank (accompanied by a certificate in accordance with Section 2.14(c), the Company will pay to such Lender or Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender, Issuing Bank or other Recipient setting forth the basis for and, in reasonable detail (to the extent practicable), computation of the amount or amounts necessary to compensate such Lender, Issuing Bank or other Recipient or its holding company, as the case may be, as specified in Section 2.14(a) or 2.14(b) shall be delivered to the Company and shall be conclusive absent manifest error. The Company shall pay such Lender, Issuing Bank or other Recipient, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof. Notwithstanding the foregoing provisions of this Section 2.14, no Lender or Issuing Bank shall demand compensation for any increased cost or expense or reduction pursuant to the foregoing provisions of this Section 2.14 if it shall not at the time be the general

policy or practice of such Lender or Issuing Bank to demand (to the extent it is entitled to do so) such compensation from similarly situated borrowers in similar circumstances under comparable provisions of other credit agreements.

(d) Failure or delay on the part of any Lender, Issuing Bank or other Recipient to demand compensation pursuant to this Section 2.14 shall not constitute a waiver of such Lender's, Issuing Bank's or other Recipient's right to demand such compensation; provided that the Company shall not be required to compensate a Lender, Issuing Bank or other Recipient pursuant to this Section 2.14 for any increased costs or expenses incurred or reductions suffered more than 180 days prior to the date that such Lender, Issuing Bank or other Recipient, as the case may be, notifies the Company of the Change in Law or other circumstance giving rise to such increased costs or expenses or reductions and of such Lender's, Issuing Bank's or other Recipient's intention to claim compensation therefor; provided further that, if the Change in Law or other circumstance giving rise to such increased costs or expenses or reductions is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) If any Lender determines that any Change in Law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for such Lender or the applicable lending office of such Lender to make, maintain or fund any LIBOR Loan or to charge interest with respect to any Loan, or to determine or charge interest rates, based upon the LIBO Rate, or any Governmental Authority has imposed material restrictions on the authority of such Lender to purchase or sell, or to take deposits of, dollars in the London interbank market, then, upon notice thereof by such Lender to the Company and the Administrative Agent, (i) any obligation of such Lender to make, maintain or fund any LIBOR Loan, or to continue any LIBOR Loan or convert any ABR Loan into a LIBOR Loan, or to charge interest with respect to any Loan, or to determine or charge interest rates, based upon the LIBO Rate, in each case, shall be suspended, and (ii) if such notice asserts the illegality of such Lender making or maintaining ABR Loans the interest rate on which is determined by reference to the Adjusted LIBO Rate component of the Alternate Base Rate, the interest rate on which ABR Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Adjusted LIBO Rate component of the Alternate Base Rate, in each case until such Lender notifies the Administrative Agent and the Company that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, (A) the Company shall, upon demand from such Lender (with a copy to the Administrative Agent) prepay or, if applicable, convert all LIBOR Loans of such Lender to ABR Loans (the interest rate on which ABR Loans of such Lender shall, if necessary to avoid such illegality, be determined by the Administrative Agent without reference to the Adjusted LIBO Rate component of the Alternate Base Rate), either on the last day of the Interest Period therefor, if such Lender may lawfully continue to maintain such LIBOR Loans to such day, or immediately, if such Lender may not lawfully continue to maintain such LIBOR Loans and (B) if such notice asserts the illegality of such Lender determining or charging interest rates based upon the LIBO Rate, the Administrative Agent shall during the period of such suspension compute the Alternate Base Rate applicable to such Lender without reference to the Adjusted LIBO Rate component thereof until the Administrative Agent is advised in writing by such Lender that it is no longer illegal for such Lender to determine or charge interest rates based upon the LIBO Rate. Upon any such prepayment or conversion, the Company shall also pay accrued interest on the amount so prepaid or converted.

SECTION 2.15 Break Funding Payments. In the event of (a) the payment of any principal of any LIBOR Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default or the application of Section 2.21(b)), (b) the conversion of any LIBOR Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert or continue any LIBOR Loan on the date specified in any notice delivered pursuant hereto (whether or not such notice may be revoked in accordance with the terms hereof), (d) the failure to prepay any LIBOR Loan on a date specified therefor in any notice of prepayment given by the Company (whether or not such notice may be revoked in accordance with the terms hereof) or (e) the assignment of any LIBOR Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Company pursuant to Section 2.18, then, in any such event, the Company shall compensate each requesting Lender for the loss, cost and expense attributable to such event (but not lost profits) following request of such Lender (accompanied by a certificate described below in this Section). Such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest that would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan (but not including the Applicable Rate applicable thereto), for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest that would accrue on such principal amount for such period at the interest rate that such Lender would bid if it were to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the London interbank market. A certificate of any Lender delivered to the Company and setting forth the basis for and, in reasonable detail (to the extent practicable), computation of any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be conclusive absent manifest error. The Company shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.16 Taxes. (a) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Company under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law (as determined in the good faith discretion of an applicable withholding agent) requires the deduction or withholding of any Tax from any such payment by a withholding agent, then the applicable withholding agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law and, if such Tax is an Indemnified Tax, then the sum payable by the Company shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 2.16) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Payment of Other Taxes by the Company. The Company shall timely pay to the relevant Governmental Authority in accordance with applicable law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(c) Evidence of Payments. As soon as practicable after any payment of Taxes by the Company to a Governmental Authority pursuant to this Section 2.16, the Company shall

deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(d) Indemnification by the Company. The Company shall indemnify each Recipient, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section 2.16) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Company by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Company has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Company to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 9.04(c)(ii) relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this paragraph.

(f) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Company and the Administrative Agent, at the time or times reasonably requested by the Company or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Company or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Company or the Administrative Agent, shall deliver such other documentation prescribed by applicable law or reasonably requested by the Company or the Administrative Agent as will enable the Company and the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.16(f)(ii)(A), 2.16(f)(ii)(B) and 2.16(f)(ii)(D)) shall not be required if in the Lender's reasonable

judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing:

(A) any Lender that is a U.S. Person shall deliver to the Company and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), executed originals of IRS Form W-9 certifying that such Lender is exempt from U.S. Federal backup withholding Tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Company and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), whichever of the following is applicable:

(1) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, executed originals of IRS Form W-8BEN-E or IRS Form W-8BEN, as applicable, establishing an exemption from, or reduction of, Taxes pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, executed originals of IRS Form W-8BEN-E or IRS Form W-8BEN, as applicable, establishing an exemption from, or reduction of, Taxes pursuant to the "business profits" or "other income" article of such tax treaty;

(2) executed originals of IRS Form W-8ECI;

(3) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code, (x) executed originals of a certificate substantially in the form of Exhibit F-1 to the effect that such Foreign Lender is not a "bank" within the meaning of Section 881(c)(3)(A) of the Code, a "10 percent shareholder" of the Company within the meaning of Section 881(c)(3)(B) of the Code or a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code (a "U.S. Tax Compliance Certificate") and (y) executed originals of IRS Form W-8BEN-E or IRS Form W-8BEN, as applicable; or

(4) to the extent a Foreign Lender is not the beneficial owner, executed originals of IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN-E, IRS Form W-8BEN, as applicable, a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-2 or Exhibit

F-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit F-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Company and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Company or the Administrative Agent), executed originals of any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in U.S. Federal withholding Taxes, duly completed, together with such supplementary documentation as may be prescribed by applicable law to permit the Company or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to Taxes imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Company and the Administrative Agent at the time or times prescribed by law and at such time or times reasonably requested by the Company or the Administrative Agent such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Company or the Administrative Agent as may be necessary for the Company and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Company and the Administrative Agent in writing of its legal inability to do so.

(g) Treatment of Certain Refunds. If any indemnified party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section 2.16 (including by the payment of additional amounts pursuant to this Section 2.16), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section 2.16 with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying

party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this

paragraph (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph, in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this paragraph the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This paragraph shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(h) Survival. Each party's obligations under this Section 2.16 shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

(i) Defined Terms. For purposes of this Section 2.16, the term "Lender" includes any Issuing Bank and the term "applicable law" includes FATCA.

SECTION 2.17 Payments Generally; Pro Rata Treatment; Sharing of Setoffs. (a) The Company shall make each payment required to be made by it hereunder or under any other Loan Document prior to the time required hereunder or under such other Loan Document for such payment (or, if no such time is expressly required, prior to 1:00 p.m., New York City time), on the date when due, in immediately available funds, without any defense, setoff, recoupment or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to such account as may be specified by the Administrative Agent, except payments to be made directly to any Issuing Bank or any Swingline Lender shall be so made and except that payments pursuant to Section 2.14, 2.15, 2.16 and 9.03 shall be made directly to the Persons entitled thereto and payments pursuant to other Loan Documents shall be made to the Persons specified therein. The Administrative Agent shall distribute any such payment received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. All payments under each Loan Document shall be made in dollars. Any payment required to be made by the Administrative Agent hereunder shall be deemed to have been made by the time required if the Administrative Agent shall, at or before such time, have taken the necessary steps to make such payment in accordance with the regulations or operating procedures of the clearing or settlement system used by the Administrative Agent to make such payment.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties

entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Loans or participations in LC Disbursements or Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall notify the Administrative Agent of such fact and shall purchase (for cash at face value) participations in the Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the amount of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amounts of principal of and accrued interest on their Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Company pursuant to and in accordance with the express terms of this Agreement (for the avoidance of doubt, as in effect from time to time), including pursuant to Section 2.14(e), 2.19 or 2.22(e), or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements or Swingline Loans to any Person that is an Eligible Assignee (as such term is defined herein from time to time). The Company consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Company rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Company in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Company prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Banks hereunder that the Company will not make such payment, the Administrative Agent may assume that the Company has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the applicable Lenders or Issuing Banks, as the case may be, the amount due. In such event, if the Company has not in fact made such payment, then each of the applicable Lenders or Issuing Banks, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it to or for the account of the Administrative Agent, any Issuing Bank or any Swingline Lender, then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), (i) apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations in respect of such payment until all such unsatisfied obligations have been discharged or (ii) hold any such amounts in a segregated account as cash

collateral for, and application to, any future funding obligations of such Lender hereunder, in the case of each of clause (i) and (ii) above, in any order as shall be determined by the Administrative Agent in its discretion.

SECTION 2.18 Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.14, or if the Company is required to pay any Indemnified Taxes or additional amounts to any Lender or to any Governmental Authority for the account of any Lender pursuant to Section 2.16, then such Lender shall (at the request of the Company) use commercially reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign and delegate its rights and obligations hereunder to another of its offices, branches or Affiliates, if, in the judgment of such Lender, such designation or assignment and delegation (i) would eliminate or reduce amounts payable pursuant to Section 2.14 or 2.16, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Company hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment and delegation within 10 days following the written request of such Lender (accompanied by reasonable (to the extent practicable) back-up documentation relating thereto).

(b) If (i) any Lender requests compensation under Section 2.14, (ii) the Company is required to pay any Indemnified Taxes or additional amounts to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.16, (iii) any Lender has become a Defaulting Lender, (iv) any Lender has failed to consent to a proposed amendment, waiver, consent, discharge or termination or other event that under Section 9.02 requires the consent of more than the Required Lenders (or, in circumstances where Section 9.02 does not require the consent of the Required Lenders, more than a Majority in Interest of Lenders of an affected Class) and with respect to which the Required Lenders (or, in circumstances where Section 9.02 does not require the consent of the Required Lenders, a Majority in Interest of the Lenders of the applicable affected Class) shall have granted their consent or (v) any Lender becomes a Non-Extending Lender, then the Company may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04, it being understood that the processing and recordation fee referred to in such Section shall be paid by the Company or the assignee as and to the extent such processing and recordation fee is required to be paid pursuant to Section 9.04(b)(ii)(C) (and the assignor Lender shall not be responsible therefor)), all its interests, rights (other than its existing rights to payments pursuant to Section 2.14 or 2.16) and obligations under this Agreement and the other Loan Documents (or, in the case of any such assignment and delegation resulting from a failure to provide a consent, all its interests, rights and obligations under this Agreement and the other Loan Documents as a Lender of a particular Class) to an Eligible Assignee that shall assume such obligations (which may be another Lender, if a Lender accepts such assignment and delegation); provided that (A) the Company shall have received, to the extent such consent would be required by Section 9.04, the prior written consent of the Administrative Agent, each Issuing Bank and each Swingline Lender, which consent shall not be unreasonably withheld, delayed or conditioned, (B) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans and, if applicable, participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder (if applicable, in each case only to the extent such

amounts relate to its interest as a Lender of a particular Class) from the assignee (in the case of such principal and accrued interest and fees) or the Company (in the case of all other amounts), (C) in the case of any such assignment and delegation resulting from a claim for compensation under Section 2.14 or payments required to be made pursuant to Section 2.16, such assignment will result in a reduction in such compensation or payments, (D) such assignment does not conflict with applicable law and (E) in the case of any such assignment and delegation resulting from the failure to provide a consent, the assignee shall have given such consent and, as a result of such assignment and delegation and any contemporaneous assignments and delegations and consents, the applicable amendment, waiver, consent, discharge, termination or other event can be effected. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver or consent by such Lender or otherwise, the circumstances entitling the Company to require such assignment and delegation have ceased to apply. Each party hereto agrees that an assignment and delegation required pursuant to this paragraph may be effected pursuant to an Assignment and Assumption executed by the Company, the Administrative Agent and the assignee and that the Lender required to make such assignment and delegation need not be a party thereto.

SECTION 2.19 Extension of Maturity Date.

(a) At any time following the Effective Date, the Company may, upon notice to the Administrative Agent (which shall promptly notify the Lenders), request a one-year extension of the Maturity Date then in effect (the Maturity Date in effect at such time being the "Existing Maturity Date", and the extension thereof being a "Maturity Date Extension"); provided that (i) such request may be made on not more than two occasions during the term of this Agreement and (ii) after giving effect to any Maturity Date Extension, the Maturity Date shall be no later than the date that is five years after the applicable Extension Effective Date. Within 10 days of delivery of such notice, each Lender shall notify the Administrative Agent whether or not it consents to such extension (which consent may be given or withheld in such Lender's sole and absolute discretion). Any Lender not responding within the above time period shall be deemed not to have consented to such extension. The Administrative Agent shall promptly notify the Company of the Lenders' responses.

(b) The Maturity Date shall be extended, as of the applicable Extension Effective Date, only if the Required Lenders (calculated excluding, for the avoidance of doubt, any Defaulting Lender and after giving effect to any replacements of Lenders permitted herein) have consented thereto (the Lenders that so consent being the "Extending Lenders", and the Lenders that do not consent being the "Non-Extending Lenders"). If so extended, the Maturity Date, as to the Extending Lenders, shall be extended to the same date in the year following the applicable Existing Maturity Date. The Administrative Agent and the Company shall promptly notify the Lenders that the Required Lenders (calculated as set forth above) have consented to any Maturity Date Extension and notify the Lenders of the date of the closing and effectiveness of such Maturity Date Extension (such date being an "Extension Effective Date") and the Maturity Date after giving effect to such Maturity Date Extension; provided that no Maturity Date Extension shall become effective unless (i) no Default or Event of Default shall have occurred and be continuing on the applicable Extension Effective Date, both immediately prior to and immediately after giving effect to such Maturity Date Extension and the making of Loans and issuance of Letters of Credit thereunder to be made on such date, (ii) on the Extension Effective Date, the representations and warranties of the Company set forth in the Loan Documents shall be true and

correct (A) in the case of the representations and warranties qualified as to materiality, Material Adverse Effect or similar language, in all respects (after giving effect to such qualification) and (B) otherwise, in all material respects, in each case on and as of such date, except in the case of any such representation and warranty that expressly relates to a prior date, in which case such representation and warranty shall be so true and correct on and as of such prior date, and (iii) the Company shall have delivered to the Administrative Agent such board resolutions, secretary's certificates, officer's certificates and good standing certificates (to the extent such concept is applicable in the applicable jurisdiction) as shall reasonably be requested by the Administrative Agent in connection with such Maturity Date Extension. The Administrative Agent may, without the consent of any Lender (but with the consent of the Company), effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to give effect to the provisions of this Section 2.19.

(c) The principal amount of any outstanding Loans made by any Non-Extending Lenders, together with accrued interest thereon and any accrued fees and other amounts (including pursuant to Section 2.15) payable to or for the account of such Non-Extending Lenders hereunder, shall be due and payable on the applicable Existing Maturity Date, and the Company shall make such other prepayment of Loans outstanding on the applicable Existing Maturity Date (and pay any additional amounts required pursuant to Section 2.15) to the extent necessary to keep outstanding Loans ratable with any revised and new Applicable Percentages of all the Lenders effective as of the applicable Existing Maturity Date. For the avoidance of doubt, on the applicable Existing Maturity Date, the Credit Exposures and the Applicable Percentages of all the Lenders shall automatically (without any further action) be adjusted to give effect to such Maturity Date Extension. Notwithstanding the foregoing, the Maturity Date and the Availability Period, as such terms are used in reference to any Issuing Bank or any Letter of Credit issued by such Issuing Bank or in reference to any Swingline Lender or any Swingline Loans made by such Swingline Lender, may not be extended with respect to any Issuing Bank or Swingline Lender without the prior written consent of such Issuing Bank or Swingline Lender (such consent to be withheld or provided in its sole and absolute discretion), as applicable (it being understood and agreed that, in the event any Issuing Bank or Swingline Lender, as applicable, shall not have consented to any Maturity Date Extension, (A) such Issuing Bank shall continue to have all the rights and obligations of an Issuing Bank hereunder, and such Swingline Lender shall continue to have all the rights and obligations of a Swingline Lender hereunder, in each case through the applicable Existing Maturity Date (or the Availability Period determined on the basis thereof, as applicable), and thereafter shall have no obligation to issue, amend, renew or extend any Letter of Credit or make any Swingline Loan, as applicable (but shall continue to have all the rights of an Issuing Bank or Swingline Lender, as the case may be, under this Agreement with respect to Letters of Credit issued by it or Swingline Loans made by it, as applicable, prior to such time), and (B) the Company shall cause the LC Exposure attributable to Letters of Credit issued by such Issuing Bank to be zero no later than the day on which such LC Exposure would have been required to have been reduced to zero in accordance with the terms hereof without giving effect to such Maturity Date Extension (and, in any event, no later than the applicable Existing Maturity Date) and shall repay the principal amount of all outstanding Swingline Loans made by such Swingline Lender, together with any accrued interest thereon, on the applicable Existing Maturity Date.

SECTION 2.20 Defaulting Lenders. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) the Commitment Fee and the Ticking Fee shall cease to accrue on the unused amount of the applicable Commitment of such Defaulting Lender pursuant to Section 2.11(a) or 2.11(b), as applicable;

(b) the Commitments and Credit Exposure of such Defaulting Lender shall not be included in determining whether the Required Lenders or any other requisite Lenders have taken or may take any action hereunder or under any other Loan Document (including any consent to any amendment, waiver or other modification pursuant to Section 9.02); provided that any amendment, waiver or other modification requiring the consent of all Lenders or all Lenders affected thereby shall, except as otherwise provided in Section 9.02(c)(ii), require the consent of such Defaulting Lender in accordance with the terms hereof;

(c) if any Swingline Exposure or LC Exposure exists at the time any Tranche 1 Lender becomes a Defaulting Lender or, in the case of any Tranche 2 Lender that is a Defaulting Lender, at the Conversion Date, then:

(i) the Swingline Exposure (other than any portion thereof with respect to which such Defaulting Lender shall have funded its participation as contemplated by Section 2.04(c)) and LC Exposure of such Defaulting Lender (other than any portion thereof attributable to unreimbursed LC Disbursements with respect to which such Defaulting Lender shall have funded its participation as contemplated by Sections 2.05(d) and 2.05(f)) shall be reallocated among the Tranche 1 Lenders that are Non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent that (A) the sum of all Non-Defaulting Lenders' Credit Exposures plus such Defaulting Lender's Swingline Exposure (excluding the portion thereof referred to above) and LC Exposure (excluding the portion thereof referred to above) does not exceed the sum of all Non-Defaulting Lenders' Tranche 1 Commitments and (B) such reallocation does not result in the Credit Exposure of any Non-Defaulting Lender exceeding such Non-Defaulting Lender's Tranche 1 Commitment;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Company shall within one Business Day following written notice by the Administrative Agent (A) first, prepay the portion of such Defaulting Lender's Swingline Exposure (other than any portion thereof referred to in the parenthetical in such clause (i)) that has not been reallocated as set forth in such clause and (B) second, cash collateralize for the benefit of the Issuing Banks the portion of such Defaulting Lender's LC Exposure (other than any portion thereof referred to in the parenthetical in such clause (i)) that has not been reallocated as set forth in such clause in accordance with the procedures set forth in Section 2.05(n) for so long as such LC Exposure is outstanding;

(iii) if the Company cash collateralizes any portion of such Defaulting Lender's LC Exposure pursuant to clause (ii) above, the Company shall not be required to pay LC Participation Fees to such Defaulting Lender pursuant to Section 2.11(c) with respect to

such portion of such Defaulting Lender's LC Exposure for so long as such Defaulting Lender's LC Exposure is cash collateralized;

(iv) if any portion of the LC Exposure of such Defaulting Lender is reallocated pursuant to clause (i) above, then the fees payable to the Tranche 1 Lenders pursuant to Sections 2.11(a) and 2.11(c) shall be adjusted to give effect to such reallocation; and

(v) if all or any portion of such Defaulting Lender's LC Exposure that is subject to reallocation pursuant to clause (i) above is neither reallocated nor cash collateralized pursuant to clause (i) or (ii) above, then, without prejudice to any rights or remedies of any Issuing Bank or any other Lender hereunder, all LC Participation Fees that otherwise would have been payable pursuant to Section 2.11(c) to such Defaulting Lender with respect to such portion of such Defaulting Lender's LC Exposure shall be payable to the Issuing Banks (and allocated among them ratably based on the amount of such portion of the LC Exposure of such Defaulting Lender attributable to Letters of Credit issued by each Issuing Bank) until and to the extent that such LC Exposure is reallocated and/or cash collateralized; and

(d) if such Lender is a Tranche 1 Lender or a Tranche 2 Lender, then so long as such Lender is a Defaulting Lender, no Swingline Lender shall be required to fund any Swingline Loan and no Issuing Bank shall be required to issue, amend, renew or extend any Letter of Credit, unless, in each case, it is satisfied that the related exposure and such Defaulting Lender's then outstanding Swingline Exposure or LC Exposure will be fully covered by the Tranche 1 Commitments of the Non-Defaulting Lenders and/or cash collateral will be provided by the Company in accordance with paragraph (c) of this Section, and participating interests in any such funded Swingline Loan or in any such issued, amended, renewed or extended Letter of Credit will be allocated among the Tranche 1 Lenders that are Non-Defaulting Lenders in a manner consistent with clause (c)(i) above (and such Defaulting Lender shall not participate therein).

In the event that (x) a Bankruptcy Event or a Bail-In Action with respect to a Lender Parent of any Tranche 1 Lender or a Tranche 2 Lender shall occur following the Effective Date and for so long as such event shall continue or (y) any Swingline Lender or any Issuing Bank has a good faith belief that any Tranche 1 Lender or a Tranche 2 Lender has defaulted in fulfilling its obligations under one or more other agreements in which such Lender commits to extend credit, no Swingline Lender shall be required to fund any Swingline Loan and no Issuing Bank shall be required to issue, amend, renew or extend any Letter of Credit, unless, in each case, such Swingline Lender or such Issuing Bank shall have entered into arrangements with the Company or such Lender satisfactory to such Swingline Lender or such Issuing Bank, as the case may be, to defease any risk to it in respect of such Lender hereunder.

In the event that the Administrative Agent, the Company, each Swingline Lender and each Issuing Bank each agree that a Defaulting Lender that is a Tranche 1 Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender (but for the avoidance of doubt, (x) such Lender shall not be entitled to receive any Commitment Fees or Ticking Fees accrued during the period when it was a Defaulting Lender and (y) all amendments, waivers or modifications effected without its consent in accordance with the provisions of Section 9.02 and this Section 2.20 during such period shall be binding on it), then the Swingline

Exposure and LC Exposure of the Tranche 1 Lenders shall be readjusted to reflect the inclusion of such Lender's Tranche 1 Commitment and on such date such Lender shall purchase at par such of the Tranche 1 Loans of the other Lenders as the Administrative Agent shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage. The rights and remedies against, and with respect to, a Defaulting Lender under this Section 2.20 are in addition to, and cumulative and not in limitation of, all other rights and remedies that the Administrative Agent, any Issuing Bank, any Swingline Lender, any other Lender or the Company may at any time have against, or with respect to, such Defaulting Lender.

SECTION 2.21 Conversion of Tranche 2 Commitments and Tranche 2 Loans; True-Up Borrowing.

(a) Each Tranche 2 Lender agrees that, on the Tranche 2 Availability Date, immediately after the initial Tranche 2 Borrowing or, if applicable, the occurrence of the PNG Limited Conditionality Outside Date (such date and time, the "Conversion Date") and regardless of whether the conditions set forth in Section 4.02 shall be satisfied on the Conversion Date, (i) the principal amount of any Tranche 2 Loan made by such Tranche 2 Lender shall, upon the making thereof, immediately and automatically convert into a Tranche 1 Loan in a like principal amount (and, upon such conversion, shall cease to be outstanding as a Tranche 2 Loan and shall continue to be in effect and outstanding under this Agreement as a Tranche 1 Loan on the terms and conditions set forth herein), (ii) the entire amount of its Tranche 2 Commitment (for the avoidance of doubt, whether used or unused) shall immediately and automatically (or, if the Conversion Date shall be the PNG Acquisition Closing Date, immediately and automatically upon the making of a Tranche 2 Loan thereunder (or, in the case of any Tranche 2 Lender that shall have failed to fund any portion of its Tranche 2 Loan in accordance with the terms hereof, immediately after the time that such Tranche 2 Lender was required to fund its Tranche 2 Loan in accordance with the terms hereof)), convert into a Tranche 1 Commitment in a like amount (and, upon such conversion, shall cease to be in effect as a Tranche 2 Commitment and shall continue to be in effect under this Agreement as a Tranche 1 Commitment on the terms and conditions set forth herein) and (iii) following the Conversion, without any further action on the part of the Swingline Lenders, the Issuing Banks or the other Lenders, the Swingline Exposure and the LC Exposure of the Tranche 1 Lenders (including Tranche 1 Lenders holding the Converted Tranche 1 Commitments) outstanding on the Conversion Date shall be automatically redetermined on the basis of such Tranche 1 Lenders' respective Applicable Percentages (determined on the Conversion Date after giving effect to the Conversion). If any Tranche 1 Loans are outstanding immediately prior to the Conversion, then, on the Conversion Date, notwithstanding anything to the contrary in Section 2.03 or 2.07 (or any Borrowing Request or Interest Election Request in respect of the Tranche 2 Loans delivered under such Section), the Converted Tranche 1 Loans shall be allocated among each then outstanding Tranche 1 Borrowing ratably and, to the extent of such allocation, shall be part of each such Tranche 1 Borrowing (constituting a Loan of the same Type as the other Tranche 1 Loans that are part of such Tranche 1 Borrowing) and, in the case of any LIBOR Borrowing, shall have an initial Interest Period equal to the remaining Interest Period applicable to such Tranche 1 Borrowing.

(b) Immediately following the Conversion, notwithstanding anything to the contrary in this Agreement, including Section 2.03 (and, for the avoidance of doubt, without any requirement that the Company submit a Borrowing Request hereunder), the Company will be

deemed to have requested Borrowings (collectively, the "True-Up Borrowing") of Tranche 1 Loans to be made on the Conversion Date in an aggregate principal amount equal to the sum of (i) the aggregate principal amount of the Tranche 2 Loans outstanding on the Conversion Date and (ii) the aggregate principal amount of Tranche 1 Loans outstanding on the Conversion Date, in each case, determined immediately prior to giving effect to the Conversion. On the Conversion Date, notwithstanding anything to the contrary herein and regardless of whether the conditions set forth in Section 4.02 shall be satisfied as of such date, each Tranche 1 Lender shall make its portion of the True-Up Borrowing (determined on the basis of its Applicable Percentage of the True-Up Borrowing after giving effect to the Conversion) by funding the amount thereof in accordance with Section 2.06; provided that, for purposes of this Section 2.21(b) and notwithstanding anything to the contrary in Section 2.06, each Tranche 1 Lender that shall have an outstanding Tranche 1 Loan (including as a result of the Conversion) on the Conversion Date shall be deemed to have so funded a portion of the True-Up Borrowing in an amount equal to the lesser of the aggregate principal amount of its Tranche 1 Loan (including any portion thereof constituting Converted Tranche 1 Loan) then outstanding and its Applicable Percentage (determined after giving effect to the Conversion) of the True-Up Borrowing. The True-Up Borrowing shall be deemed to consist of Tranche 1 Borrowings in the same principal amounts as the existing Tranche 1 Borrowings outstanding immediately prior to giving effect to the application of the True-Up Borrowing (and shall constitute Loans of the same Type as the Tranche 1 Loans that are part of such existing Tranche 1 Borrowings) and, in the case of any LIBOR Borrowing, shall have an initial Interest Period equal to the remaining Interest Period applicable to such existing Tranche 1 Borrowing. Notwithstanding anything to the contrary in this Agreement, including Sections 2.10 and 2.17 (and, for the avoidance of doubt, without any requirement that the Company submit a notice of prepayment hereunder), but subject to Section 2.15 in the case of any prepayments pursuant to clause (A) below, on the Conversion Date and immediately following the Conversion (A) the cash proceeds of the True-Up Borrowing shall be applied to prepay the Tranche 1 Loans (including any portion thereof constituting Converted Tranche 1 Loans) included in each then outstanding Tranche 1 Borrowing ratably as among such outstanding Borrowings but, in respect of the Tranche 1 Loans of each Lender included in each such Borrowing, shall be applied to prepay such Tranche 1 Loans in such amounts, if any, as shall be necessary to cause the Tranche 1 Lenders to hold all Tranche 1 Loans ratably in accordance with their respective Applicable Percentages and (B) the portion of the True-Up Borrowing deemed funded by any Tranche 1 Lender as provided above shall be deemed to be applied to prepay a like amount of such Lender's Tranche 1 Loans (including any portion thereof constituting Converted Tranche 1 Loans) included in the then outstanding Tranche 1 Borrowings such that, after giving effect to clause (A) and this clause (B), the Tranche 1 Lenders shall hold all Tranche 1 Loans ratably in accordance with their respective Applicable Percentages. For the avoidance of doubt, the reallocations of Swingline Exposure and LC Exposure described in Section 2.21(a) and deemed reborrowings and repayments described in this Section 2.21(b) shall occur automatically, and without action by the Company, and regardless of whether the conditions set forth in Section 4.02 shall be satisfied as of the Conversion Date.

SECTION 2.22 Incremental Tranche 1 Commitments and Loans.

(a) The Company may on one or more occasions, from time to time, by written notice to the Administrative Agent, and without the consent of any Lender, request the establishment of Incremental Tranche 1 Commitments, provided that the aggregate amount of all the Incremental Tranche 1 Commitments established during the term of this Agreement shall not

exceed the Incremental Facility Cap. Each such notice shall specify (i) the date on which the Company proposes that the Incremental Tranche 1 Commitments shall be effective, which shall be a date not less than five Business Days (or such shorter period as may be acceptable to the Administrative Agent) after the date on which such notice is delivered to the Administrative Agent, and (ii) the amount of the Incremental Tranche 1 Commitments being requested (it being agreed that (A) any Lender approached to provide any Incremental Tranche 1 Commitment may elect or decline, in its sole discretion, to provide such Incremental Tranche 1 Commitment and (B) any Person that the Company proposes to become an Incremental Tranche 1 Lender, if such Person is not then a Lender, must be an Eligible Assignee and must be approved by the Administrative Agent, each Issuing Bank and each Swingline Lender (such approval, in each case, not to be unreasonably withheld, delayed or conditioned).

(b) The terms and conditions of any Incremental Tranche 1 Commitment and the Loans and other extensions of credit to be made thereunder shall be identical to those, and shall be treated as a single Class with, the Tranche 1 Commitments and the Tranche 1 Loans and other extensions of credit made thereunder; provided that, if the Company determines to increase the interest rate or fees payable in respect of Incremental Tranche 1 Commitments or Loans and other extensions of credit made thereunder, such increase shall be permitted if the interest rate or fees payable in respect of the then existing Tranche 1 Commitments or Loans and other extensions of credit made thereunder, as applicable, shall be increased to equal such interest rate or fees payable in respect of such Incremental Tranche 1 Commitments or Loans and other extensions of credit made thereunder, as the case may be.

(c) The Incremental Tranche 1 Commitments shall be effected pursuant to one or more Incremental Facility Agreements executed and delivered by the Company, each Incremental Tranche 1 Lender providing such Incremental Tranche 1 Commitments and the Administrative Agent; provided that no Incremental Tranche 1 Commitments shall become effective unless (i) no Default or Event of Default shall have occurred and be continuing on the date of effectiveness thereof, both immediately prior to and immediately after giving effect to such Incremental Tranche 1 Commitments and the making of Loans and issuance of Letters of Credit thereunder to be made on such date, (ii) on the date of the effectiveness thereof, the representations and warranties of the Company set forth in the Loan Documents shall be true and correct (A) in the case of the representations and warranties qualified as to materiality, Material Adverse Effect or similar language, in all respects (after giving effect to such qualification) and (B) otherwise, in all material respects, in each case on and as of such date of effectiveness, except in the case of any such representation and warranty that expressly relates to a prior date, in which case such representation and warranty shall be so true and correct on and as of such prior date and (iii) the Company shall have delivered to the Administrative Agent such legal opinions, board resolutions, secretary's certificates, officer's certificates and good standing certificates (to the extent such concept is applicable in the applicable jurisdiction) as shall reasonably be requested by the Administrative Agent in connection with any such transaction. Each Incremental Facility Agreement may, without the consent of any Lender (but with the consent of the Company), effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of the Administrative Agent, to give effect to the provisions of this Section 2.22.

(d) Upon the effectiveness of an Incremental Tranche 1 Commitment of any Incremental Tranche 1 Lender, (i) such Incremental Tranche 1 Lender, if not already a Lender, shall be deemed to be a "Lender" (and a Lender in respect of Tranche 1 Commitments and Tranche 1 Loans) hereunder, and shall be entitled to all the rights of, and benefits accruing to, Lenders (or Lenders in respect of Tranche 1 Commitments and Tranche 1 Loans) hereunder and under the other Loan Documents and shall be bound by all agreements, acknowledgements and other obligations of Lenders (or Lenders in respect of Tranche 1 Commitments and Tranche 1 Loans) hereunder and under the other Loan Documents, (ii) such Incremental Tranche 1 Commitment shall constitute (or, in the event such Incremental Tranche 1 Lender already has a Tranche 1 Commitment, shall increase) the Tranche 1 Commitment of such Incremental Tranche 1 Lender and (B) the Total Tranche 1 Commitments shall be increased by the amount of such Incremental Tranche 1 Commitment, in each case, subject to further increase or reduction from time to time as provided herein. For the avoidance of doubt, upon the effectiveness of any Incremental Tranche 1 Commitment, the Credit Exposures and the Applicable Percentages of all the Lenders shall automatically be adjusted to give effect thereto.

(e) On the date of effectiveness of any Incremental Tranche 1 Commitments, (i) the aggregate outstanding principal amount of the Tranche 1 Loans made to the Company (the "Existing Borrowings") immediately prior to the effectiveness of such Incremental Tranche 1 Commitments shall be deemed to be repaid, (ii) each Incremental Tranche 1 Lender that shall have had a Tranche 1 Commitment immediately prior to the effectiveness of such Incremental Tranche 1 Commitments shall pay to the Administrative Agent in same day funds an amount equal to the difference between (A) the product of (1) such Lender's Applicable Percentage (calculated after giving effect to the effectiveness of such Incremental Tranche 1 Commitments) multiplied by (2) the aggregate amount of the Resulting Borrowings and (B) the product of (1) such Lender's Applicable Percentage (calculated without giving effect to the effectiveness of such Incremental Tranche 1 Commitments) multiplied by (2) the aggregate amount of the Existing Borrowings, (iii) each Incremental Tranche 1 Lender that shall not have had a Tranche 1 Commitment prior to the effectiveness of such Incremental Tranche 1 Commitments shall pay to Administrative Agent in same day funds an amount equal to the product of (1) such Lender's Applicable Percentage (calculated after giving effect to the effectiveness of such Incremental Tranche 1 Commitments) multiplied by (2) the aggregate amount of the Resulting Borrowings, (iv) after the Administrative Agent receives the funds specified in clauses (ii) and (iii) above, the Administrative Agent shall pay to each Lender the portion of such funds that is equal to the difference between (A) the product of (1) such Lender's Applicable Percentage (calculated without giving effect to the effectiveness of such Incremental Tranche 1 Commitments) multiplied by (2) the aggregate amount of the Existing Borrowings, and (B) the product of (1) such Lender's Applicable Percentage (calculated after giving effect to the effectiveness of such Incremental Tranche 1 Commitments) multiplied by (2) the aggregate amount of the Resulting Borrowings, (v) after the effectiveness of such Incremental Tranche 1 Commitments, the Company shall be deemed to have made new Tranche 1 Borrowings (the "Resulting Borrowings") in an aggregate amount equal to the aggregate amount of the Company's Existing Borrowings and of the Types and for the Interest Periods specified in a Borrowing Request delivered by the Company to the Administrative Agent in accordance with Section 2.03, (vi) each Lender shall be deemed to hold its Applicable Percentage of each Resulting Borrowing (calculated after giving effect to the effectiveness of such Incremental Tranche 1 Commitments) and (vii) the Company shall pay each Lender any and all accrued but unpaid interest on its Loans comprising the Existing Borrowings. The deemed payments of the Existing

Borrowings made pursuant to clause (i) above shall be subject to compensation by the Company pursuant to the provisions of Section 2.15 if the date of the effectiveness of such Incremental Tranche 1 Commitments occurs other than on the last day of the Interest Period relating thereto.

(f) The Administrative Agent shall notify the Lenders promptly upon receipt by the Administrative Agent of any notice from the Company referred to in Section 2.22(a) and of the effectiveness of any Incremental Tranche 1 Commitments, in each case advising the Lenders of the details thereof and of the Applicable Percentages of the Lenders after giving effect thereto and of the payments required to be made pursuant to Section 2.22(e).

SECTION 2.23 Bridge Facility.

(a) The Company may, by written notice to the Administrative Agent, request the establishment of Bridge Commitments, provided that the aggregate amount of the Bridge Commitments established hereunder shall not exceed the Bridge Facility Amount. Each such notice shall specify (i) the date on which the Company proposes that the Bridge Commitments shall become effective and (ii) the amount of the Bridge Commitments being established (it being agreed that (A) except to the extent such Lender shall have separately agreed in writing to provide any Bridge Commitment, any Lender approached to provide any Bridge Commitment may elect or decline, in its sole discretion, to provide such Bridge Commitment and (B) any Person that the Company proposes to become a Bridge Lender, if such Person is not then a Lender, must be an Eligible Assignee).

(b) The terms and conditions of the Bridge Commitments and the Bridge Loans to be made thereunder shall be as set forth in the Bridge Facility Agreement, provided that (i) the Bridge Loans shall be extensions of credit to the Company, (ii) the Bridge Loans shall rank pari passu in right of payment with the other Loans and other Obligations and shall not be (A) secured by any Liens on any assets of the Company or the Subsidiaries or (B) guaranteed by any Person, unless the Obligations are equally and ratably secured, or so guaranteed, as applicable, pursuant to security and guarantee documentation reasonably satisfactory to the Administrative Agent, and (iii) the Bridge Facility Agreement shall not contain any affirmative, negative or financial covenant applicable to the Company or the Subsidiaries or any event of default that is more favorable to the Bridge Lenders (but not the other Lenders), in each case, except if this Agreement is amended to include such affirmative, negative or financial covenant or event of default for the benefit of all Lenders (it being understood that nothing in this clause (iii) shall limit the scheduled maturity date, interest rate, benchmark rate floors, fees, original issue discounts, commitment termination requirements (including mandatory reductions) and prepayment requirements (including mandatory prepayments) applicable to the Bridge Commitments or the Bridge Loans).

(c) The Bridge Commitments shall be effected pursuant to a Bridge Facility Agreement executed and delivered by the Company, each Bridge Lender providing such Bridge Commitments and the Bridge Facility Agent, subject to the satisfaction of such conditions precedent thereto as may be set forth in the Bridge Facility Agreement. The Bridge Facility Agreement may, without the consent of any Lender (but with the consent of the Company), effect such amendments to this Agreement and the other Loan Documents as may be necessary or appropriate, in the opinion of the Bridge Facility Agent and the Company, to give effect to the provisions of this Section 2.23, including any amendments necessary or appropriate to treat the

Bridge Commitments and the Bridge Loans as a new Class of Commitments and Loans hereunder (including for purposes of voting) or to provide to the Bridge Facility Agent such rights (including indemnity and exculpation provisions) and obligations as are appropriate for its role and comparable to those of the Administrative Agent in respect of the Facilities. Goldman Sachs Bank USA, in its capacity as the Bridge Facility Agent, is an express third party beneficiary of the provisions of this Section 2.23.

(d) Upon the effectiveness of the Bridge Commitment of any Bridge Lender, such Bridge Lender shall be deemed to be a "Lender" (and a Lender in respect of Commitments and Loans of the applicable Class) hereunder, and henceforth shall be entitled to all the rights of, and benefits accruing to, Lenders (or Lenders in respect of Commitments and Loans of the applicable Class) hereunder and under the other Loan Documents and shall be bound by all agreements, acknowledgements and other obligations of Lenders (or Lenders in respect of Commitments and Loans of the applicable Class) hereunder and under the other Loan Documents.

(e) The Administrative Agent shall notify the Lenders promptly upon receipt by the Administrative Agent of any notice from the Company referred to in Section 2.23(a) and of the effectiveness of the Bridge Commitments, in each case advising the Lenders of the details thereof.

ARTICLE III

Representations and Warranties

The Company represents and warrants to the Lenders, on the Effective Date, the Tranche 2 Availability Date (if any Tranche 2 Loans are made on such date) and on each other date on which representations and warranties are required to be, or are deemed to be, made under the Loan Documents, that:

SECTION 3.01 Organization; Powers. The Company is (a) (i) duly organized, (ii) validly existing and (iii) to the extent the concept is applicable in such jurisdiction, in good standing under the laws of the jurisdiction of its organization, (b)(i) has all requisite power and authority and (ii) all Governmental Approvals required for the ownership and operation of its properties and the conduct of its business as now conducted and (c) is qualified to do business, and is in good standing, in every jurisdiction where such qualification is required; except in each case referred to in clause (a)(iii), (b)(ii) or (c), to the extent the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.02 Authorization; Enforceability. The Transactions to be entered into by the Company are within the Company's corporate or other organizational powers and have been duly authorized by all necessary corporate or other organizational and, if required, stockholder or other equityholder action of the Company. This Agreement has been duly executed and delivered by the Company and constitutes, and each other Loan Document, when executed and delivered by the Company, will constitute, a legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, winding-up or other laws affecting creditors' rights

generally and to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03 Governmental Approvals; Absence of Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with or any other action by any Governmental Authority, except such as have been or, in the case of filings relating to the consummation of the PNG Acquisition, on the PNG Acquisition Closing Date will be, obtained or made and are (or will so be) in full force and effect, (b) will not violate any applicable law, including any order of any Governmental Authority, (c) will not violate the organizational documents of the Company, (d) will not violate or result (alone or with notice or lapse of time or both) in a default under any indenture or other agreement or instrument binding upon the Company or any Significant Subsidiary or any of their assets, or give rise to a right thereunder to require any payment, repurchase or redemption to be made by the Company or any Significant Subsidiary, or give rise to a right of, or result in, any termination, cancellation, acceleration or right of renegotiation of any obligation thereunder, in each case excluding the Company Existing Credit Agreement, the Company Existing Private Placement Notes, the PNG Existing Revolving Credit Agreement and the PNG Existing Term Credit Agreement and (e) will not result in the creation or imposition of any Lien on any asset of the Company not permitted hereunder, in the case of clauses (a), (b) and (d) above, except to the extent that the foregoing, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.04 Financial Condition; No Material Adverse Effect.

(a) The Company has heretofore furnished to the Lenders its (i) consolidated balance sheet and statement of capitalization and related consolidated statements of net income, comprehensive income, equity and cash flows as of and for the fiscal year ended December 31, 2017, audited by and accompanied by the opinion of PricewaterhouseCoopers LLP, and (ii) unaudited consolidated balance sheet and statement of capitalization and related unaudited consolidated statements of net income, comprehensive income, equity and cash flows as of and for the fiscal quarter and portion of the fiscal year ended September 30, 2018. Such financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP (subject, in the case of such unaudited financial statements, to normal year-end audit adjustments and the absence of certain footnotes).

(b) Since December 31, 2017, there has been no event or condition that has resulted, or would reasonably be expected to result, in a Material Adverse Effect.

SECTION 3.05 Properties. The Company and each Subsidiary has good title to, or valid leasehold interests in, all its property material to its business, subject to Liens permitted by Section 6.01, except (a) for defects in title that, individually or in the aggregate, do not materially detract from the value of the affected property or materially interfere with the ordinary conduct of business of the Company or any Subsidiary or (b) for any failure to do so that,

individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06 Litigation and Environmental Matters.

(a) Except as set forth in Schedule 3.06(a) or as specifically disclosed in any SEC Reports, there are no actions, suits or proceedings by or before any Governmental Authority or arbitrator pending against or, to the knowledge of the Company, threatened in writing against the Company or any Subsidiary that (i) are reasonably likely to be decided adversely to the Company or such Subsidiary and would reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect or (ii) directly involve any of the Loan Documents.

(b) Except as set forth in Schedule 3.06(b) or as specifically disclosed in any SEC Reports, or as otherwise would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, neither the Company nor any Subsidiary (i) has failed to comply with any applicable Environmental Law or to obtain, maintain or comply with any Governmental Approval required under any applicable Environmental Law, (ii) is subject to any Environmental Liability, (iii) has received written notice of any claim with respect to any Environmental Liability or (iv) knows of any fact, incident, event or condition that would reasonably be expected to form the basis for any Environmental Liability.

SECTION 3.07 Compliance with Laws.

(a) The Company and each Subsidiary is in compliance with all laws, including all orders of Governmental Authorities, applicable to it or its property, except where the failure to comply, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect.

(b) The Company has implemented and maintains in effect policies and procedures reasonably designed to ensure compliance by the Company and the Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions, and the Company and the Subsidiaries and, to the knowledge of the Company, their respective officers, employees and directors are in compliance with Anti-Corruption Laws and applicable Sanctions in all material respects. None of (i) the Company, any Subsidiary or, to the knowledge of the Company, any of their respective directors, officers or employees, or (ii) to the knowledge of the Company, any agent of the Company or any Subsidiary that will act in any capacity in connection with or benefit from any credit facility established hereby, is a Sanctioned Person. The Transactions do not violate any Anti-Corruption Law or applicable Sanctions.

(c) The Company will use the proceeds of the Borrowings and the Letters of Credit solely for the purposes permitted by Section 5.09. The Company will not use the proceeds of any Borrowing or any Letter of Credit in a manner that will result in a violation of Sanctions applicable to any party hereto or any Anti-Corruption Laws.

SECTION 3.08 Investment Company Status. The Company is not an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09 Taxes. The Company and each Subsidiary has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except where (a) (i) the validity or amount thereof is being contested in good faith by appropriate proceedings, (ii) the Company or such Subsidiary, as applicable, has set aside on its books reserves with respect thereto to the extent required by GAAP and (iii) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation or (b) the failure to do so would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10 ERISA. No ERISA Events have occurred or are reasonably expected to occur that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The Company and each ERISA Affiliate is in compliance in all material respects with the applicable provisions of ERISA and the Code with respect to each Plan. The present value of all accumulated benefit obligations of all underfunded and unfunded Plans and the benefit obligations of any retiree welfare benefit arrangement (in each case based on the assumptions used for purposes of Accounting Standards Codification Topic 715) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan or arrangement, if any, by an aggregate amount that would reasonably be expected to result in a Material Adverse Effect. The Company is not and will not be using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Plans in connection with the Loans or the Commitments.

SECTION 3.11 Solvency. On the Effective Date and on the PNG Acquisition Closing Date, in each case, immediately after giving effect to the Transactions to occur on such date, including the making of the Loans to be made on such date and the application of the proceeds thereof, (a) the fair value of the assets of the Company and the Subsidiaries, on a consolidated basis, will exceed their debts and liabilities, subordinated, contingent or otherwise, (b) the present fair saleable value of the property of the Company and the Subsidiaries, on a consolidated basis, will be greater than the amount that will be required to pay the probable liabilities on their debts and other liabilities, subordinated, contingent or otherwise, as such debts and other liabilities become absolute and matured, (c) the Company and the Subsidiaries, on a consolidated basis, will be able to pay their debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured and (d) the Company and the Subsidiaries, on a consolidated basis, will not have an unreasonably small capital with which to conduct the businesses in which they are engaged as such businesses are now conducted and proposed to be conducted following the Effective Date or the PNG Acquisition Closing Date, as applicable. For purposes of this Section 3.11, in computing the amount of the contingent liabilities of the Company and the Subsidiaries as of the Effective Date or as of the PNG Acquisition Closing Date, as applicable, such liabilities have been computed at the amount that, in light of all the facts and circumstances existing as of the Effective Date or as of the PNG Acquisition Closing Date, as applicable, represents the amount that can reasonably be expected to become an actual or matured liability.

SECTION 3.12 Disclosure.

(a) The Confidential Information Memorandum and each of the other written reports, financial statements, certificates and other written information (other than financial

projections and other forward-looking information and information of a general economic or industry-specific nature) furnished by or on behalf of the Company or any Subsidiary to the Administrative Agent, any Revolver Facility Arranger or any Lender in connection with the negotiation of this Agreement or any other Loan Document (and, prior to the PNG Acquisition Closing Date, with respect to such information and projections relating to the PNG Acquired Company and its subsidiaries, to the best of the Company's knowledge) is and will be, when furnished and taken as a whole, complete and correct in all material respects and does not and will not, when furnished and taken as a whole, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made (in each case after giving effect to all supplements and updates provided thereto prior to the Effective Date). The financial projections and other forward-looking information that have been furnished by or on behalf of the Company or any Subsidiary to the Administrative Agent, any Revolver Facility Arranger or any Lender in connection with the negotiation of this Agreement or any other Loan Document have been prepared in good faith based upon assumptions that are believed by the Company to be reasonable at the time such financial projections or other forward-looking information are furnished to the Administrative Agent, any Revolver Facility Arranger or any Lender, it being understood and agreed that financial projections and other forward-looking information are as to future events and are not to be viewed as facts, are subject to significant uncertainties and contingencies, many of which are out of the Company's, the PNG Acquired Company's or their respective subsidiaries' control, that no assurance can be given that any particular projections will be realized, that the financial projections or other forward-looking information is not a guarantee of financial performance and that actual results during the period or periods covered by such projections may differ significantly from the projected results and such differences may be material.

(b) If a Beneficial Ownership Certification is required to be delivered pursuant to Section 4.01(g)(ii), then, as of the Effective Date, to the best of the Company's knowledge, the information set forth in such Beneficial Ownership Certification is true and correct in all respects. If a Beneficial Ownership Certification is required to be delivered pursuant to Section 6.02(a), then, as of the date of the delivery thereof, to the best of the Company's knowledge, the information set forth in such Beneficial Ownership Certification is true and correct in all respects.

SECTION 3.13 Federal Reserve Regulations. Neither the Company nor any Subsidiary is engaged or will engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors), or extending credit for the purpose of purchasing or carrying margin stock. No part of the proceeds of the Loans will be used, directly or indirectly, to purchase or carry margin stock, to extend credit for others to purchase or carry margin stock or for any purpose that entails, and no other action will be taken by the Company and the Subsidiaries that would result in, a violation of Regulations T, U and X of the Board of Governors.

SECTION 3.14 Subsidiaries. As of the Effective Date, Schedule 3.14 sets forth (a) each Subsidiary's legal name and jurisdiction of organization and (b) for each Subsidiary, whether such Subsidiary is (i) a Restricted Subsidiary or an Unrestricted Subsidiary or (ii) a Significant Subsidiary.

SECTION 3.15 USA PATRIOT Act. Each of the Company and the Subsidiaries is in compliance, in all material respects, with (a) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto and (b) the USA PATRIOT Act.

SECTION 3.16 EEA Financial Institution. The Company is not an EEA Financial Institution.

ARTICLE IV

Conditions

SECTION 4.01 Effective Date. The effectiveness of this Agreement and the obligation of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions shall be satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent shall have received from each party hereto (i) a counterpart of this Agreement executed by each party hereto or (ii) written evidence satisfactory to the Administrative Agent (which may include fax transmission or other electronic imaging) that such party has signed a counterpart of this Agreement.

(b) The Revolver Facility Arrangers and the Administrative Agent shall have received written opinions (addressed to the Administrative Agent, the Lenders and the Issuing Banks and dated the Effective Date) of each of (i) Simpson Thacher & Bartlett LLP, special New York counsel to the Company, and (ii) the General Counsel of the Company, in each case, in form and substance reasonably satisfactory to the Revolver Facility Arrangers and the Administrative Agent.

(c) The Revolver Facility Arrangers and the Administrative Agent shall have received a certificate of the Company, dated the Effective Date and executed by the secretary or an assistant secretary of the Company, attaching (i) a copy of each organizational document of the Company, which shall, to the extent applicable, be certified as of a recent date prior to the Effective Date by the appropriate Governmental Authority, (ii) signature and incumbency certificates of the officers of the Company executing each Loan Document, (iii) resolutions of the board of directors of the Company approving and authorizing the execution, delivery and performance of the Loan Documents, certified as of the Effective Date by such secretary, assistant secretary or director as being in full force and effect without modification or amendment, and (iv) a good standing certificate (to the extent such concept is applicable in such jurisdiction) from the applicable Governmental Authority of the Commonwealth of Pennsylvania, dated as of a recent date prior to the Effective Date, in each case, in form and substance reasonably satisfactory to the Revolver Facility Arrangers and the Administrative Agent.

(d) The Revolver Facility Arrangers and the Administrative Agent shall have received an officer's certificate, dated the Effective Date and signed by a Responsible Officer of the Company, certifying that, as of the Effective Date and after giving effect to the Transactions

that are to occur on such date, (i) the representations and warranties of the Company set forth in the Loan Documents are true and correct (A) in the case of the representations and warranties qualified as to materiality, Material Adverse Effect or similar language, in all respects (after giving effect to such qualification) and (B) otherwise, in all material respects and (ii) no Default has occurred and is continuing.

(e) The Revolver Facility Arrangers and the Administrative Agent shall have received a certificate substantially in the form of Exhibit G from the Company, dated the Effective Date and signed by a Financial Officer of the Company.

(f) All costs, expenses (including reasonable and documented legal fees and expenses) and fees contemplated by the Loan Documents, or otherwise agreed by the Company with the Revolver Facility Arrangers or the Administrative Agent, to be reimbursable or payable by or on behalf of the Company to the Revolver Facility Arrangers (or Affiliates thereof), the Administrative Agent or the Lenders shall have been paid on or prior to the Effective Date, in each case, to the extent required to be paid on or prior to the Effective Date and, in the case of costs and expenses, invoiced at least two Business Days prior to the Effective Date.

(g) The Revolver Facility Arrangers shall have received, (i) at least three Business Days prior to the Effective Date, all documentation and other information regarding the Company and the Subsidiaries required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act, that has been reasonably requested by the Revolver Facility Arrangers at least 10 Business Days prior to the Effective Date and (ii) to the extent the Company qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, at least three Business Days prior to the Effective Date, a Beneficial Ownership Certification in relation to the Company.

(h) The Company Existing Credit Agreement Refinancing shall have been consummated, or shall be consummated substantially concurrently with the effectiveness of this Agreement, and the Revolver Facility Arrangers and the Administrative Agent shall have received customary payoff documentation in respect thereof.

The Administrative Agent shall deliver a notice to the Company and the Lenders of the Effective Date, and such notice shall be conclusive and binding.

SECTION 4.02 Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing (other than a Borrowing of Tranche 2 Loans on the PNG Acquisition Closing Date prior to the Conversion Date, any True-Up Borrowing on the Conversion Date or any conversion or continuation of any outstanding Loan), of each Swingline Lender to make a Swingline Loan and of each Issuing Bank to issue any Letter of Credit or amend any Letter of Credit to increase the amount thereof is subject to receipt of the request therefor in accordance herewith and to the satisfaction of the following conditions:

(a) The representations and warranties of the Company set forth in the Loan Documents (other than, after the Effective Date, the representations set forth in Sections 3.04(b) and 3.06(a)) shall be true and correct (i) in the case of the representations and warranties qualified as to materiality, Material Adverse Effect or similar language, in all respects (after giving effect to

such qualification) and (ii) otherwise, in all material respects, in each case on and as of the date of such Borrowing or the date of such issuance of, or amendment to increase, such Letter of Credit, as applicable, except in the case of any such representation and warranty that expressly relates to a prior date, in which case such representation and warranty shall be so true and correct as required by clauses (i) and (ii) above, on and as of such prior date.

(b) At the time of and immediately after giving effect to such Borrowing or such issuance of, or amendment to increase, such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

On the date of any Borrowing (other than any conversion or continuation of any outstanding Loan), any Swingline Loan, the issuance of any Letter of Credit or the amendment of any Letter of Credit to increase the amount thereof, the Company shall be deemed to have represented and warranted that the conditions specified in Sections 4.02(a) and 4.02(b) have been satisfied.

SECTION 4.03 PNG Acquisition Closing Date. The obligations of the Tranche 2 Lenders to make Tranche 2 Loans on the PNG Acquisition Closing Date prior to the Conversion Date are subject to the occurrence of the Effective Date and the satisfaction (or waiver in accordance with Section 9.02) of the following conditions:

(a) The Revolver Facility Arrangers shall have received a copy of the PNG Purchase Agreement, certified by a Responsible Officer of the Company as complete and correct. The PNG Acquisition shall have been (or, substantially concurrently with the initial Tranche 2 Borrowing, shall be) consummated in all material respects in accordance with the terms of the PNG Purchase Agreement. The PNG Purchase Agreement shall not have been amended or modified in any respect, or any provision or condition therein waived, or any consent granted thereunder, by the Company or any of the Subsidiaries, if such amendment, modification, waiver or consent would be material and adverse to the interests of the Lenders (in their capacities as such) without the Revolver Facility Arrangers' prior written consent (such consent not to be unreasonably withheld, delayed or conditioned), it being understood and agreed that (i) any reduction, when taken together with all such prior reductions, of less than 15% in the original consideration for the PNG Acquisition will be deemed not to be (and any such reduction of 15% or more will be deemed to be) material and adverse to the interests of the Lenders, provided that, in the case of any such reduction of less than 15%, the aggregate principal amount of the Bridge Facility, if any, shall have been reduced on a dollar-for-dollar basis, (ii) any increase, when taken together with all such prior increases, of less than 15% in the original consideration for the PNG Acquisition will be deemed not to be (and any such increase of 15% or more will be deemed to be) material and adverse to the interests of the Lenders and (iii) any amendment or other modification to the definition of Material Adverse Effect (as defined in the PNG Purchase Agreement as in effect on the Signing Date) shall be deemed to be material and adverse to the interest of the Lenders.

(b) The Administrative Agent shall have received an officer's certificate, dated the PNG Acquisition Closing Date and signed by a Responsible Officer of the Company, confirming satisfaction of the conditions set forth in Sections 4.03(a), 4.03(d) and 4.03(h).

(c) The Administrative Agent shall have received a Borrowing Request as required by Section 2.03 (but which shall not contain any representations or warranties).

(d) The PNG Purchase Agreement Representations and the Specified Representations shall be true and correct in all material respects. At the time of and upon giving effect to the initial Tranche 2 Borrowing and the application of the proceeds thereof on the PNG Acquisition Closing Date (and after giving effect to the other Transactions), there shall not exist any Event of Default under Section 7.01(a) or 7.01(b) (in each case, solely in respect of amounts payable in respect of the Tranche 2 Commitments or Tranche 2 Loans) or Section 7.01(h) or 7.01(i) (in each case, solely in respect of the Company).

(e) There shall not have occurred a Material Adverse Effect (as defined in the PNG Purchase Agreement).

(f) All costs, expenses (including reasonable and documented legal fees and expenses) and fees contemplated by the Loan Documents, or otherwise agreed by the Company with the Revolver Facility Arrangers or the Administrative Agent, to be reimbursable or payable by or on behalf of the Company to the Revolver Facility Arrangers (or Affiliates thereof), the Administrative Agent or the Lenders in connection with the Tranche 2 Commitments or Tranche 2 Loans shall have been paid on or prior to the PNG Acquisition Closing Date, in each case, to the extent required to be paid on or prior to the PNG Acquisition Closing Date and, in the case of costs and expenses, invoiced at least two Business Days prior to the PNG Acquisition Closing Date.

(g) The Revolver Facility Arrangers and the Administrative Agent shall have received a certificate in the form of Exhibit G from the Company, dated the PNG Acquisition Closing Date and signed by its chief financial officer, certifying that the Company and the Subsidiaries, on a consolidated basis after giving effect to the Transactions to occur on the PNG Acquisition Closing Date, are solvent.

(h) Each of (i) the Company Existing Private Placement Notes Refinancing, (ii) the PNG Existing Revolving Facility Refinancing and (iii) the PNG Existing Term Facility Refinancing shall have been consummated or, substantially concurrently with the PNG Acquisition, shall be consummated.

The Administrative Agent shall deliver a notice to the Company and the Lenders of the satisfaction of the conditions in Section 4.03 (or waiver of them in accordance with Section 9.02), and such notice shall be conclusive and binding.

ARTICLE V

Affirmative Covenants

Until Payment in Full, the Company covenants and agrees with the Lenders that:

SECTION 5.01 Financial Statements and Other Information. The Company will furnish to the Administrative Agent, on behalf of each Lender:

(a) within 120 days after the end of each fiscal year of the Company, commencing with the fiscal year ending December 31, 2018, its audited consolidated balance sheet and statement of capitalization and related consolidated statements of net income, comprehensive income, equity and cash flows as of the end of and for such fiscal year, setting forth in each case in comparative form the figures for the prior fiscal year, all audited by and accompanied by the opinion of PricewaterhouseCoopers LLP or another independent registered public accounting firm of recognized national standing (without a "going concern" or like qualification, exception or emphasis (other than any qualification, exception or emphasis with respect to or resulting from an upcoming scheduled final maturity of any Indebtedness or associated with a financial covenant) and without any qualification, exception or emphasis as to the scope of such audit) to the effect that such consolidated financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Company and its consolidated Subsidiaries on a consolidated basis as of the end of and for such year in accordance with GAAP;

(b) within 60 days after the end of each of the first three fiscal quarters of each fiscal year of the Company, its unaudited consolidated balance sheet and statement of capitalization as of the end of such fiscal quarter, the related unaudited consolidated statements of net income, comprehensive income and equity for such fiscal quarter and the then elapsed portion of the fiscal year and the related statements of cash flows for the then elapsed portion of the fiscal year, in each case setting forth in comparative form the figures for (or, in the case of the balance sheet or statement of capitalization, as of the end of) the corresponding period or periods of the prior fiscal year, all certified by a Financial Officer of the Company as presenting fairly, in all material respects, the financial position, results of operations and cash flows of the Company and its consolidated Subsidiaries on a consolidated basis as of the end of and for such fiscal quarter and such portion of the fiscal year in accordance with GAAP, subject to normal year-end audit adjustments and the absence of certain footnotes;

(c) within the time frame permitted for the delivery of financial statements under clause (a) or (b) above, as applicable, a completed Compliance Certificate signed by a Responsible Officer of the Company, (i) certifying as to whether a Default has occurred and is continuing on such date and, if a Default has occurred and is continuing on such date, specifying the details thereof and any action taken or proposed to be taken with respect thereto and (ii) setting forth reasonably detailed calculations demonstrating compliance with the Financial Covenant;

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary with the SEC or with any national securities exchange;

(e) promptly after any request therefor, such other information regarding the business and financial condition of the Company or any Subsidiary, or compliance with the terms of any Loan Document, as the Administrative Agent may reasonably request in writing; and

(f) promptly after any request therefor, such information and documentation reasonably requested by the Administrative Agent or any Lender for purposes of compliance with applicable "know your customer" requirements under the USA PATRIOT Act, the Beneficial Ownership Regulation or other applicable anti-money laundering laws.

The documents required to be delivered pursuant to Section 5.01(a), 5.01(b) and 5.01(d) shall be deemed to have been delivered if such documents, or one or more annual or quarterly or periodic reports containing such information, (a) shall have been made publicly available on the website of the Company at http://www.aquaamerica.com (or such other website as the Company may designate by written notice to the other parties hereto) or the SEC at http://www.sec.gov or (b) shall have been posted by the Administrative Agent on a Platform to which the Lenders have been granted access. Information required to be delivered pursuant to this Section 5.01 to the Administrative Agent may also be delivered by electronic communications pursuant to procedures approved by the Administrative Agent.

SECTION 5.02 Notices of Material Events. Promptly after any Responsible Officer of the Company obtains actual knowledge thereof, the Company will furnish to the Administrative Agent written notice of the following:

(a) the occurrence of any continuing Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Company or any Subsidiary, or any adverse development in any such pending action, suit or proceeding not previously disclosed in writing by the Company to the Administrative Agent and the Lenders or in any annual, quarterly or periodic reports publicly filed by the Company with the SEC, that, in each case, would reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred would reasonably be expected to result in a Material Adverse Effect; or

(d) any other development that has resulted, or would reasonably be expected to result, in a Material Adverse Effect.

Each notice delivered under this Section 5.02 shall be accompanied by a statement of a Responsible Officer of the Company setting forth the details of the event or development requiring such notice and, in the case of clause (a) above, any action taken or proposed to be taken with respect thereto.

SECTION 5.03 Existence; Conduct of Business. The Company will, and will cause each Restricted Subsidiary to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect (a) its legal existence and (b) the rights, licenses, permits, privileges and franchises material to the conduct of the business of the Company and the Restricted Subsidiaries, taken as a whole, except, other than in the case of Section 5.03(a) with respect to the Company, where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect; provided that the foregoing shall not prohibit any transaction expressly permitted under Section 6.02(a).

SECTION 5.04 Payment of Taxes. The Company will, and will cause each Subsidiary to, pay its Taxes before the same shall become delinquent or in default, except where (a) (i) the validity or amount thereof is being contested in good faith by appropriate proceedings, (ii) the Company or such Subsidiary has set aside on its books reserves with respect thereto to the

extent required by GAAP and (iii) such contest effectively suspends collection of the contested obligation and the enforcement of any Lien securing such obligation or (b) the failure to make payment would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05 Maintenance of Properties and Rights. The Company will, and will cause each Subsidiary to, keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear and casualty and condemnation excepted, except in each case where the failure to take any such actions, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect; provided that the foregoing shall not prohibit any transaction expressly permitted under Section 6.02(a).

SECTION 5.06 Insurance. The Company will, and will cause each Subsidiary to, maintain, with insurance companies that the Company believes (in the good faith judgment of the management of the Company) are financially sound and reputable (including captive insurance subsidiaries), insurance in such amounts (after giving effect to any self-insurance consistent with the standards set forth in this Section 5.06) (with no greater risk retention) and against such risks as is customarily maintained by companies engaged in similar businesses operating in the same or similar locations in all material respects.

SECTION 5.07 Books and Records; Inspection and Audit Rights. The Company will, and will cause each Subsidiary to, keep proper books of record and account in which full, true and correct entries in accordance, in all material respects, with GAAP and applicable law are made of all material dealings and transactions in relation to its business and activities. The Company will, and will cause each Subsidiary to, permit the Administrative Agent, and any agent designated by the Administrative Agent, upon reasonable prior notice, (a) to visit and reasonably inspect its properties, (b) to examine its books and records and (c) to discuss its operations, business affairs, assets, liabilities (including contingent liabilities) and financial condition with its officers and independent accountants (it being agreed that a representative of the Company may be present at any such meeting with the independent accountants), all at such reasonable times during normal business hours and as often as reasonably requested; provided that, the Administrative Agent may not exercise such rights more often than once during any calendar year (it being understood that any expenses incurred by the Administrative Agent in connection therewith shall be subject to reimbursement by the Company in accordance with Section 9.03); provided, further, that when an Event of Default exists, the Administrative Agent (or any of its agents) may do any of the foregoing (at the expense of the Company) at any time during normal business hours and upon reasonable advance notice. Notwithstanding anything to the contrary in this Section, neither the Company nor any Subsidiary shall be required to disclose, permit the inspection, examination of, or discussion of, any document, information or other matter that (i) constitutes non-financial trade secrets or non-financial proprietary information, (ii) in respect of which disclosure to the Administrative Agent (or its agents) is prohibited by applicable law or any binding confidentiality agreement between the Company or any Subsidiary and a Person that is not the Company or any Subsidiary not entered into in contemplation of preventing such disclosure, inspection, examination or discussion or (iii) is subject to attorney-client or similar privilege or constitutes attorney work-product.

SECTION 5.08 Compliance with Laws. The Company will, and will cause each Subsidiary to, comply with all laws, including all Environmental Laws, and all orders of any Governmental Authority, applicable to it, its operations or its property, except where the failure to do so, individually or in the aggregate, would not reasonably be expected to result in a Material Adverse Effect. The Company will maintain in effect and enforce policies and procedures reasonably designed to ensure compliance by the Company and the Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws and applicable Sanctions.

SECTION 5.09 Use of Proceeds.

(a) The proceeds of the Tranche 1 Loans will be used (i) to consummate the Company Existing Credit Agreement Refinancing, (ii) to pay fees and expenses in connection with the Company Existing Credit Agreement Refinancing and the other Transactions and (iii) for general corporate purposes of the Company and the Subsidiaries.

(b) The proceeds of the Tranche 2 Loans will be used (i) on the PNG Acquisition Closing Date to consummate the PNG Existing Revolving Facility Refinancing, (ii) to pay fees and expenses in connection with the PNG Existing Revolving Facility Refinancing and (iii) for general corporate purposes of the Company and the Subsidiaries.

(c) Letters of Credit will be issued for general corporate purposes of the Company and the Subsidiaries.

(d) The Company will not request any Borrowing or Letter of Credit, and the Company will not use, and will procure that the Subsidiaries and its and their respective directors, officers, employees and agents will not use, the proceeds of any Borrowing or Letter of Credit (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto or any Anti-Corruption Laws.

SECTION 5.10 Designation of Subsidiaries. The Company may from time to time cause any Restricted Subsidiary that is not a Significant Subsidiary to be designated as an Unrestricted Subsidiary or any Unrestricted Subsidiary to be designated as a Restricted Subsidiary, provided that (a) at the time of such designation and immediately after giving effect thereto, no Default or Event of Default would exist under the terms of this Agreement and (b) once a Subsidiary has been designated an Unrestricted Subsidiary, it shall not thereafter be redesignated as a Restricted Subsidiary on more than one occasion. Within 10 days (or such shorter period of time as the Administrative Agent may reasonably agree to in writing) following any designation described above, the Company will deliver to the Administrative Agent a notice of such designation accompanied by a certificate signed by a Responsible Officer certifying compliance with all requirements of this Section 5.10 and setting forth all information required in order to establish such compliance.

ARTICLE VI

Negative Covenants

Until Payment in Full, the Company covenants and agrees with the Lenders that:

SECTION 6.01 Liens. The Company will not create, incur, assume or permit to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Permitted Liens;

(b) any Lien on any asset of the Company existing on the Effective Date and set forth on Schedule 6.01; provided that (i) such Lien shall not apply to any other asset of the Company (other than improvements or accessions thereto and the proceeds thereof) and (ii) such Lien shall secure only those obligations that it secures on the Effective Date and extensions, renewals, replacements and refinancings thereof that do not increase the outstanding principal amount thereof except by an amount equal to any premium or other amount paid, and fees and expenses incurred, in connection with such extension, renewal, replacement or refinancing;

(c) (i) Liens (including Liens securing Capital Lease Obligations) on fixed or capital assets acquired, constructed or improved by the Company securing Indebtedness or other obligations incurred to finance such acquisition, construction or improvement, provided that (A) such Liens and the Indebtedness secured thereby are incurred prior to or within 270 days after such acquisition or the completion of such construction or improvement, (B) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets and (C) such Liens shall not apply to any other assets of the Company (other than improvements or accessions thereto and the proceeds thereof), provided further that individual financings of equipment or other fixed or capital assets otherwise permitted to be secured hereunder provided by any Person (or its Affiliates) may be cross-collateralized to other such financings provided by such Person (or its Affiliates), and (ii) Liens securing extensions, renewals, replacements and refinancings thereof that do not increase the outstanding principal amount thereof except by an amount equal to any premium or other amount paid, and fees and expenses incurred, in connection with such extension, renewal, replacement or refinancing, provided that such Liens do not apply to any assets of the Company other than the assets securing the Indebtedness or other obligations being extended, renewed, replaced or refinanced (and improvements or accessions thereto and the proceeds thereof);

(d) any Lien on any asset acquired by the Company after the Effective Date existing at the time of the acquisition thereof (or existing on any asset of any Person that is merged or consolidated with or into the Company in a transaction permitted hereunder after the Effective Date and prior to the time such Person is so merged or consolidated), provided that (i) such Lien is not created in contemplation of or in connection with such acquisition (or such merger or consolidation), (ii) such Lien shall not apply to any other assets of the Company (other than improvements or accessions thereto and the proceeds thereof) and (iii) such Lien shall secure only those obligations that it secures on the date of such acquisition (or the date such Person is so merged or consolidated) and extensions, renewals, replacements and refinancings thereof that do not increase the outstanding principal amount thereof except by an amount equal to any premium

or other amount paid, and fees and expenses incurred, in connection with such extension, renewal, replacement or refinancing;

(e) in connection with the sale or transfer of any Equity Interests or other assets in a transaction permitted hereunder, customary rights and restrictions contained in agreements relating to such sale or transfer pending the completion thereof;

(f) in the case of (i) any Subsidiary that is not a wholly owned Subsidiary or (ii) the Equity Interests in any Person that is not a Subsidiary, any encumbrance or restriction, including any put and call arrangements, related to Equity Interests in such Subsidiary or such other Person set forth in the organizational documents of such Subsidiary or such other Person or any related joint venture, shareholders' or similar agreement;

(g) Liens solely on any cash earnest money deposits, escrow arrangements or similar arrangements made by the Company in connection with any letter of intent or purchase agreement for an Acquisition or other transaction permitted hereunder;

(h) (i) deposits made in the ordinary course of business to secure obligations to insurance carriers providing casualty, liability or other insurance to the Company and the Subsidiaries and (ii) Liens on insurance policies and the proceeds thereof securing the financing of the premiums with respect thereto;

(i) Liens on the net cash proceeds of any Acquisition Indebtedness held in escrow by a third party escrow agent prior to the release thereof from escrow;

(j) Lien created pursuant to the Loan Documents;

(k) Liens on cash and cash equivalents securing obligations under Hedging Agreements entered into to protect against fluctuations in interest rates and not for speculative purposes, provided that the cash and cash equivalents deposited to secure such obligations do not exceed $50,000,000 at any time outstanding; and

(l) other Liens, provided that at the time of and after giving Pro Forma Effect to the incurrence of any such Lien (or any Indebtedness secured thereby and the application of the proceeds thereof), the aggregate principal amount of the outstanding Indebtedness secured by Liens permitted by this clause (l) does not exceed 15% of Consolidated Tangible Assets at such time (it being understood and agreed that (i) in the case of revolving Indebtedness, the Company may deem any revolving commitments in respect of such revolving Indebtedness as outstanding Indebtedness for purposes of such test, and, if such test would be satisfied after doing so, then the Company shall not be required to retest compliance with such test in respect of any incurrence of revolving Indebtedness in respect of such revolving commitments, provided that, for so long as such revolving commitments are outstanding, such revolving commitments shall be deemed to be outstanding Indebtedness for purposes of any subsequent calculation of such test, and (ii) in the case of any Indebtedness secured by any Lien(s) incurred in reliance on this clause (l), the Company shall not be required to retest compliance with this clause (l) (A) if any additional Liens on assets (including Liens on different types of assets) are thereafter granted to secure such Indebtedness or (B) due to the incurrence of fees, costs, expenses, premiums, penalties, indemnities or interest in respect of such Indebtedness).

SECTION 6.02 Fundamental Changes.

(a) The Company will not, and will not permit any Restricted Subsidiary to, amalgamate with, merge into or consolidate with any other Person, or permit any other Person to amalgamate with, merge into or consolidate with it, or liquidate or dissolve, except that (i) the PNG Acquisition may be consummated, (ii) if at the time thereof and immediately after giving effect thereto no Event of Default shall have occurred and be continuing, (A) any Person may amalgamate, merge or consolidate with the Company in a transaction in which the Company is the surviving entity and (B) the Company may merge or consolidate with any Person in a transaction in which such Person is the surviving entity, provided that (1) such Person is a corporation organized under the laws of the Commonwealth of Pennsylvania or the State of Delaware, (2) prior to or substantially concurrently with the consummation of such merger or consolidation, (x) such Person shall execute and deliver to the Administrative Agent an assumption agreement (the "Assumption Agreement"), in form and substance reasonably satisfactory to the Administrative Agent, pursuant to which such Person shall assume all of the obligations of the Company under this Agreement and the other Loan Documents, and (y) such Person shall deliver to the Administrative Agent such documents, certificates and opinions as the Administrative Agent may reasonably request relating to such Person, such merger or consolidation or the Assumption Agreement, all in form and substance reasonably satisfactory to the Administrative Agent, and (3) the Lenders shall have received, at least five Business Days prior to the date of the consummation of such merger or consolidation, (x) all documentation and other information regarding such Person required by bank regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act, that has been reasonably requested by the Administrative Agent or any Lender and (y) to the extent such Person qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, a Beneficial Ownership Certification in relation to such Person, it being agreed that upon the execution and delivery to the Administrative Agent of the Assumption Agreement and the satisfaction of the other conditions set forth in this clause (B), such Person shall become a party to this Agreement, shall succeed to and assume all the rights and obligations of the Company under this Agreement and the other Loan Documents (including all obligations in respect of outstanding Loans) and shall thenceforth, for all purposes of this Agreement and the other Loan Documents, be the "Company", (iii) any Person (other than the Company) may amalgamate, merge or consolidate with any Restricted Subsidiary in a transaction in which the surviving entity is a Restricted Subsidiary, (iv) any Restricted Subsidiary may amalgamate with, merge into or consolidate with any Person (other than the Company) in a transaction not prohibited by Section 6.02(b) in which, after giving effect to such transaction, the surviving entity is not a Subsidiary and (v) any Restricted Subsidiary may liquidate or dissolve if the Company determines in good faith that such liquidation or dissolution is in the best interests of the Company and the Subsidiaries, taken as a whole.

(b) The Company will not, and will not permit any Subsidiary to, sell, transfer, lease or otherwise dispose of, directly or through any amalgamation, merger or consolidation and whether in one transaction or in a series of transactions, assets (including Equity Interests in Subsidiaries) representing all or substantially all of the assets of the Company and the Subsidiaries (whether now owned or hereafter acquired), taken as a whole, to any Person or Persons, except (i) to the Company and/or any Subsidiaries and (ii) as permitted under Section 6.02(a)(ii)(B) or 6.02(a)(iii).

SECTION 6.03 Restrictive Agreements. The Company will not, and will not permit any Restricted Subsidiary to, enter into or permit to exist any contractual obligation (other than this Agreement or any other Loan Document) that limits the ability of any Restricted Subsidiary to make dividends or other distributions with respect to its Equity Interests to the Company or any Restricted Subsidiary, unless the Company determines in good faith that such contractual obligations would not materially impede the Company's ability to meet its payment obligations under this Agreement.

SECTION 6.04 Transactions with Affiliates. The Company will not, and will not permit any Restricted Subsidiary to, enter into or cause, suffer or permit to exist any transaction, arrangement or contract with any Affiliate (other than the Company or any Restricted Subsidiary) that is on terms materially less favorable to the Company or such Restricted Subsidiary than those that would be obtained at such time in a comparable arm's-length transaction with a Person other than an Affiliate, provided that the foregoing shall not apply to (a) any payments made and other transactions entered into in the ordinary course of business with officers and directors of the Company or any Subsidiary, and consulting fees and expenses incurred in the ordinary course of business payable to former officers or directors of the Company or any Subsidiary or (b) any other transaction (if part of a series of related transactions, together with such related transactions) involving consideration or value of less than $10,000,000.

SECTION 6.05 Financial Covenant. The Company will not permit the ratio, on the last day of any fiscal quarter of the Company, of (a) Consolidated Funded Debt as of such day to (b) the sum of (i) Consolidated Funded Debt as of such day and (ii) Consolidated Shareholders' Equity as of such day, to exceed 65%; provided that if the PNG Acquisition is consummated, the maximum ratio permitted by this Section 6.05 shall be (a) with respect to the fiscal quarter of the Company during which the PNG Acquisition Closing Date occurs and any subsequent fiscal quarter of the Company that ends no later than 180 days after the PNG Acquisition Closing Date, 80% and (B) with respect to any fiscal quarter of the Company that ends thereafter, 65%.

ARTICLE VII

Events of Default

SECTION 7.01 Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

(a) the Company shall fail to pay any principal of any Loan or any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Company shall fail to pay any interest or any fee or any other amount (other than an amount referred to in clause (a) of this Section 7.01) payable under this Agreement or any other Loan Document, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation, warranty or statement of fact made or deemed made by or on behalf of the Company in any Loan Document or in any certificate, financial statement or

other written document provided pursuant to any Loan Document or any amendment or modification thereof or waiver thereunder shall prove to have been incorrect in any material respect when made or deemed made;

(d) the Company shall fail to observe or perform any covenant or agreement contained in Section 5.02(a), 5.03(a) (with respect to the existence of the Company) or 5.09 or in Article VI;

(e) the Company shall fail to observe or perform any covenant or agreement contained in any Loan Document (other than those specified in clause (a), (b) or (d) of this Section 7.01), and such failure shall continue unremedied for a period of 30 days after written notice thereof to the Company from the Administrative Agent;

(f) the Company, any Restricted Subsidiary or any Significant Subsidiary shall fail to make any payment (in respect of principal or interest) in respect of any Material Indebtedness, when and as the same shall become due and payable after giving effect to any notice requirements and grace periods applicable thereto;

(g) any event or condition constituting a breach or default in respect of any Material Indebtedness occurs that results in any Material Indebtedness becoming due or being terminated or required to be prepaid, repurchased, redeemed or defeased prior to its scheduled maturity, or that enables or permits the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf, or, in the case of any Hedging Agreement, the applicable counterparty, to cause such Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, or, in the case of a Hedging Agreement, to terminate any related hedging transaction, in each case prior to its scheduled maturity or termination (it is understood that no Event of Default shall occur in respect of any Material Indebtedness under this clause (g) until all grace periods applicable under the terms of such Material Indebtedness have expired and all notice requirements applicable under the terms of such Material Indebtedness have been met); provided that this clause (g) shall not apply to (i) any secured Indebtedness that becomes due as a result of the voluntary sale or transfer of, or any casualty or condemnation with respect to, assets securing such Indebtedness and (ii) any prepayment, repurchase, redemption or defeasance of any Acquisition Indebtedness if the related Acquisition is not consummated;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization, moratorium, winding-up or other relief in respect of the Company or any Significant Subsidiary, or of a substantial part of its assets, under any United States (Federal or state) or foreign bankruptcy, insolvency, receivership, winding-up or similar law now or hereafter in effect or (ii) the appointment of a receiver, liquidator, trustee, custodian, sequestrator, conservator or similar official for the Company or any Significant Subsidiary, or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed or unstayed for 60 days or an order for relief in any such proceeding shall be entered;

(i) the Company or any Significant Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization, winding-up or other relief under any United States (Federal or state) or foreign bankruptcy, insolvency, receivership,

winding-up or similar law now or hereafter in effect (other than, in the case of any Subsidiary, a voluntary liquidation or dissolution permitted by Section 6.02(a)(v)), (ii) consent to the institution of any proceeding or petition described in sub-clause (i) above, (iii) apply for or consent to the appointment of a receiver, liquidator, trustee, custodian, sequestrator, conservator or similar official for the Company or any Significant Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding or (v) make a general assignment for the benefit of creditors, or the board of directors (or similar governing body) of the Company or any Significant Subsidiary (or any committee thereof) shall adopt any resolution expressly authorizing any of the actions referred to in this Section 7.01(i);

(j) one or more final judgments for the payment of money in an aggregate amount in excess of $100,000,000 (after reducing such judgment amount by the portion thereof covered by insurance (other than under a self-insurance program, excluding any insurance provided by a captive insurance subsidiary or similar vehicle or arrangement)) shall be rendered against the Company, any Restricted Subsidiary or any Significant Subsidiary or any combination thereof and the same shall continue for a period of 60 consecutive days without being vacated, discharged, stayed, satisfied or bonded pending appeal;

(k) one or more ERISA Events shall have occurred that, individually or in the aggregate, would reasonably be expected to result in a Material Adverse Effect; or

(l) (i) a Change in Control shall occur or (ii) any "change of control" (or similar event, however denominated) with respect to the Company under and as defined in any indenture or other agreement relating to Material Indebtedness of the Company, any Restricted Subsidiary or any Significant Subsidiary under which senior notes or other debt securities may be issued shall occur and such "change of control" (or similar event, however denominated) shall have caused, or shall enable or permit the holder or holders of such Material Indebtedness or any trustee or agent on its or their behalf to cause, such Material Indebtedness to be required to be prepaid, repurchased, redeemed or defeased prior to its scheduled maturity (it is understood that no Event of Default shall occur in respect of any Material Indebtedness under this clause (l)(ii) until all grace periods applicable under the terms of such Material Indebtedness have expired and all notice requirements applicable under the terms of such Material Indebtedness have been met);

then, at any time thereafter during the continuance of such event (other than an event with respect to the Company described in clause (h) or (i) of this Section 7.01), the Administrative Agent shall at the written request of (i) prior to the Conversion, the Majority in Interest of the Tranche 1 Lenders or (ii) on and after the Conversion, the Required Lenders, by written notice to the Company, take any or all of the following actions, at the same or different times during the continuance of such event: (A) terminate the Tranche 1 Commitments, (B) declare the Loans then outstanding to be due and payable in whole (or in part (but ratably as among the Classes of Loans and the Loans of each Class at the time outstanding), in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Company hereunder, shall become due and payable immediately, and (C) require the deposit of cash collateral in respect of LC Exposures as provided in Section 2.05(n), in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; and in the case of any event

with respect to the

Company described in clause (h) or (i) of this Section 7.01, the Tranche 1 Commitments and the Tranche 2 Commitments shall automatically terminate, the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Company hereunder, shall immediately and automatically become due and payable and the deposit of such cash collateral in respect of LC Exposure shall immediately and automatically become due, in each case without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

During the period from and including the Effective Date to the Conversion, and notwithstanding (I) any failure by the Company or any Subsidiary to observe or perform the covenants set forth in Article V or VI hereof, (II) the occurrence of any Default or Event of Default or (III) any provision to the contrary in this Agreement, neither the Administrative Agent nor any Tranche 2 Lender shall be entitled to (1) rescind, terminate or cancel any of the Tranche 2 Commitments hereunder, or exercise any right or remedy under this Agreement or any other Loan Document in respect of the Tranche 2 Commitments, (2) in the case of any Tranche 2 Lender, refuse to make its initial Tranche 2 Loan on the PNG Acquisition Closing Date or (3) in the case of any Tranche 2 Lender, exercise any right of setoff or counterclaim in respect of its initial Tranche 2 Loan to the extent that to do so would prevent, limit or delay the making of its initial Tranche 2 Loan on the PNG Acquisition Closing Date; provided that, for the avoidance of doubt, the initial borrowing of the Tranche 2 Loans on the PNG Acquisition Closing Date shall be subject to the satisfaction (or waiver in accordance with Section 9.02) of the conditions precedent set forth in Section 4.03. For the avoidance of doubt, (x) after the initial funding of the Tranche 2 Loans on the PNG Acquisition Closing Date, all of the rights, remedies and entitlements of the Administrative Agent and the Lenders under this Agreement and the other Loan Documents shall be available and may be exercised by them notwithstanding that such rights, remedies or entitlements were not available prior to such time as a result of the provisions of this paragraph and (y) nothing in this paragraph shall affect the rights, remedies or entitlements (or the ability to exercise the same) of the Tranche 1 Lenders, the Swingline Lenders, the Issuing Banks or, insofar as such rights, remedies or entitlements do not relate to Tranche 2 Commitments, the Administrative Agent, including any such rights, remedies or entitlements set forth in the immediately preceding paragraph.

SECTION 7.02 Clean-up Period. Notwithstanding anything to the contrary in this Agreement (including Section 7.01(c)), during the period from and including the PNG Acquisition Closing Date and ending on the date that is 30 days after the PNG Acquisition Closing Date (the "Clean-up Period"), if any representation or warranty (other than the Specified Representations) made by the Company in the Loan Documents or in any certificate or writing furnished pursuant to this Agreement shall prove to have been incorrect when made by reason of any matter or circumstance relating to the PNG Acquired Company and its subsidiaries, such breach of such representation or warranty shall not constitute a Default or Event of Default (other than for purposes of Section 4.02 or 5.02(a)) if and for so long as the circumstances giving rise to such breach of such representation or warranty (a) are capable of being remedied within the Clean-up Period and the Company and the Subsidiaries are taking appropriate steps to remedy such breach, (b) do not have and are not reasonably likely to have a Material Adverse Effect and (c) were not procured by or knowingly approved by the Company or any of the Subsidiaries (other than the PNG Acquired Company and its subsidiaries). If the relevant circumstances are continuing on or after the expiration of the Clean-up Period, the breach of such representation or

warranty, if otherwise constituting a Default or an Event of Default, shall then constitute a Default or an Event of Default, as the case may be, notwithstanding the immediately preceding sentence (and without prejudice to the rights and remedies of the Administrative Agent and the Lenders hereunder). For the avoidance of doubt, nothing in this Section 7.02 shall affect the conditions precedent set forth in Article IV.

ARTICLE VIII

The Administrative Agent

SECTION 8.01 Appointment and Authorization of Administrative Agent. Each of the Lenders and the Issuing Banks hereby irrevocably appoints the entity named as Administrative Agent in the heading of this Agreement and its successors to serve as Administrative Agent under this Agreement and the other Loan Documents, and authorizes the Administrative Agent to take such actions and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

SECTION 8.02 Rights as a Lender. The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender or an Issuing Bank as any other Lender or Issuing Bank and may exercise the same as though it were not the Administrative Agent, and such Person and its Affiliates may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Company or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders or the Issuing Banks.

SECTION 8.03 Exculpatory Provisions. The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents with respect to the Administrative Agent, and the Administrative Agent's duties hereunder shall be administrative in nature. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing (and it is understood and agreed that the use of the term "agent" herein or in any other Loan Documents (or any other similar term) with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law, and that such term is used as a matter of market custom and is intended to create or reflect only an administrative relationship between contracting parties), (b) the Administrative Agent shall not have any duty to take any discretionary action or to exercise any discretionary power, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith to be necessary, under the circumstances as provided in the Loan Documents), provided that the Administrative Agent shall not be required to take any action that, in its opinion, could expose the Administrative Agent to liability or be contrary to any Loan Document or applicable law, and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and the Administrative Agent shall not be liable for the failure to disclose,

any information relating to the Company, any Subsidiary or any other Affiliate thereof that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith to be necessary, under the circumstances as provided in the Loan Documents), in accordance with the terms of the Loan Documents, or in the absence of its own gross negligence or willful misconduct (such absence to be presumed unless otherwise determined by a court of competent jurisdiction by a final and nonappealable judgment). The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof (stating that it is a "notice of default") is given to the Administrative Agent by the Company, any Lender or any Issuing Bank, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Document, (ii) the contents of any certificate, report or other document delivered thereunder or in connection therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document or the occurrence of any Default, (iv) the sufficiency, validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent or satisfaction of any condition that expressly refers to the matters described therein being acceptable or satisfactory to the Administrative Agent. The Administrative Agent neither warrants nor accepts responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the rates in the definition of the term "Adjusted LIBO Rate" (or any component thereof) or with respect to any comparable or successor rate thereto, or replacement rate therefor (except such as shall result from the gross negligence or willful misconduct of the Administrative Agent as determined by a court of competent jurisdiction in a final and nonappealable judgment).

SECTION 8.04 Reliance by Administrative Agent. The Administrative Agent shall be entitled to rely, and shall not incur any liability for relying, upon any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person (whether or not such Person in fact meets the requirements set forth in the Loan Documents for being the signatory, sender or authenticator thereof). The Administrative Agent also shall be entitled to rely, and shall not incur any liability for relying, upon any statement made to it orally or by telephone and believed by it to be made by the proper Person (whether or not such Person in fact meets the requirements set forth in the Loan Documents for being the signatory, sender or authenticator thereof), and may act upon any such statement prior to receipt of written confirmation thereof. Upon the request by the Administrative Agent at any time, the Lenders will confirm in writing whether an action may be taken by it (and the Administrative Agent may deem the failure to respond to any such request in a timely manner as approval). In determining compliance with any condition hereunder to the making of a Loan or the issuance, amendment, renewal or extension of any Letter of Credit that by its terms must be fulfilled to the satisfaction of a Lender or an Issuing Bank, the Administrative Agent may presume that such condition is satisfactory to such Lender or such Issuing Bank, as applicable, unless the Administrative Agent shall have received notice to the contrary from such Lender or such Issuing Bank, as applicable, prior to the making of such Loan or such event as to

such Letter of Credit. The Administrative Agent may consult with legal counsel (who may be counsel for the Company), independent accountants and other experts selected by it with reasonable care, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

SECTION 8.05 Delegation of Duties. The Administrative Agent may perform any or all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any or all of their duties and exercise their rights and powers through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as the Administrative Agent. The Administrative Agent shall not be responsible for the negligence or misconduct of any of its sub-agents except to the extent that a court of competent jurisdiction determines in a final and nonappealable judgment that the Administrative Agent acted with gross negligence or willful misconduct in the selection of such sub-agents.

SECTION 8.06 Resignation of Administrative Agent. Subject to the terms of this paragraph, the Administrative Agent may resign at any time from its capacity as such. In connection with such resignation, the Administrative Agent shall give notice of its intent to resign to the Lenders, the Issuing Banks and the Company. Upon receipt of any such notice of resignation, the Company shall have the right, subject to the consent of the Required Lenders (with Lenders hereby agreeing to act promptly with respect to any request by the Company for such consent), unless a Payment or Bankruptcy Event of Default shall have occurred and be continuing, in which case the Required Lenders shall have the right, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its intent to resign, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Administrative Agent, which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. If the Person serving as the Administrative Agent is a Defaulting Lender pursuant to clause (d) of the definition thereof, the Required Lenders may, to the extent permitted by applicable law, by notice in writing to the Company and such Person remove such Person as the Administrative Agent and, subject to the consent of the Company (not to be unreasonably withheld, conditioned or delayed) so long as no Payment or Bankruptcy Event of Default shall have occurred and be continuing, appoint a successor. Upon the acceptance of its appointment as the Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Administrative Agent, and the retiring or removed Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents. The fees payable by the Company to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed by the Company and such successor. Notwithstanding the foregoing, in the event no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its intent to resign, the retiring Administrative Agent may give notice of the effectiveness of its resignation to the Lenders, the Issuing Banks and the Company, whereupon, on the date of effectiveness of such resignation stated in such notice, (a) the retiring Administrative Agent shall

be discharged from its duties and obligations hereunder and under the other Loan Documents, and (b) the Required Lenders shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, provided that (i) all payments required to be made hereunder or under any other Loan Document to the retiring Administrative Agent for the account of any Person other than the retiring Administrative Agent shall be made directly to such Person, (ii) all notices and other communications required or contemplated to be given or made to the retiring Administrative Agent shall also directly be given or made to each Lender and each Issuing Bank and (iii) if applicable, the retiring Administrative Agent may continue to hold, on behalf of the Revolving Lenders and the Issuing Banks, any cash collateral received by it pursuant to Section 2.05(n). Following the effectiveness of the Administrative Agent's resignation or removal from its capacity as such, the provisions of this Article and Section 9.03, as well as any exculpatory, reimbursement and indemnification provisions set forth in any other Loan Document, shall continue in effect for the benefit of such retiring or removed Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as the Administrative Agent or while holding cash collateral as contemplated by the immediately preceding sentence.

SECTION 8.07 Non-Reliance on Administrative Agent and Other Lenders. Each Lender and Issuing Bank acknowledges that it has, independently and without reliance upon the Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers or any other Lender or Issuing Bank, or any of the Related Parties of any of the foregoing, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender and Issuing Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers or any other Lender or Issuing Bank, or any of the Related Parties of any of the foregoing, and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder. Each Lender, by delivering its signature page to this Agreement, or delivering its signature page to an Assignment and Assumption or any other document pursuant to which it shall become a Lender hereunder, shall be deemed to have acknowledged receipt of, and consented to and approved, each Loan Document and each other document required to be delivered to, or be approved by or satisfactory to, the Administrative Agent or the Lenders on or prior to such date and on the Effective Date.

SECTION 8.08 Administrative Agent May File Proofs of Claim. In case of any proceeding with respect to the Company under any United States (Federal or state) or foreign bankruptcy, insolvency, receivership, winding-up or similar law now or hereafter in effect, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Company) shall be entitled and empowered (but not obligated) by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans, Letters of Credit and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders, the Issuing Banks and the Administrative Agent

(including any claim under Sections 2.14, 2.15, 2.16 and 9.03) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such proceeding is hereby authorized by each Lender and Issuing Bank to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, the Issuing Banks or other holders of any Obligations, to pay to the Administrative Agent any amount due to it, in its capacity as the Administrative Agent, under the Loan Documents (including under Section 9.03).

SECTION 8.09 No Reliance on Administrative Agent's Customer Identification Program. Each Lender and Issuing Bank acknowledges and agrees that neither such Lender or Issuing Bank, nor any of its Affiliates, participants or assignees, may rely on the Administrative Agent to carry out such Lender's, Issuing Bank's, Affiliate's, participant's or assignee's customer identification program, or other obligations required or imposed under or pursuant to the USA PATRIOT Act or the regulations thereunder, including the regulations contained in 31 CFR 103.121 (as hereafter amended or replaced, the "CIP Regulations"), or any other Anti-Corruption Laws, including any programs involving any of the following items relating to or in connection with any of the Company, its Affiliates or its agents, the Loan Documents or the transactions hereunder or contemplated hereby: (a) any identity verification procedures, (b) any recordkeeping, (c) comparisons with government lists, (d) customer notices or (e) other procedures required under the CIP Regulations or such other laws.

SECTION 8.10 Lender ERISA Representations.

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and the Revolver Facility Arrangers, the Bridge Facility Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Company, that at least one of the following is and will be true: (i) such Lender is not using "plan assets" (within the meaning of 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA) of one or more Benefit Plans with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments or this Agreement, (ii) the transaction exemption set forth in one or more PTEs, such as PTE 84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement, (iii) (A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional

Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement or (iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) clause (i) of the immediately preceding paragraph is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with clause (iv) of the immediately preceding paragraph, such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of the Administrative Agent and the Revolver Facility Arrangers, the Bridge Facility Arrangers and their respective Affiliates, and not, for the avoidance of doubt, to or for the benefit of the Company, that none of the Administrative Agent, the Revolver Facility Arrangers or the Bridge Facility Arrangers or any of their respective Affiliates is a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

SECTION 8.11 No Other Duties; Etc. Notwithstanding anything herein to the contrary, none of the Revolver Facility Arrangers, the Bridge Facility Arrangers, the Syndication Agent or the Documentation Agents shall have any duties or obligations under this Agreement or any other Loan Document (except in its capacity, as applicable, as the Administrative Agent, a Lender or an Issuing Bank), but all such Persons shall have the benefit of the indemnities and exculpatory provisions provided for hereunder or thereunder.

SECTION 8.12 Tax Withholdings. To the extent required by any applicable law, the Administrative Agent may withhold from any payment to any Lender or Issuing Bank an amount equivalent to any applicable withholding Tax. Without limiting or expanding the provisions of Section 2.16, each Lender and Issuing Bank shall indemnify and hold harmless the Administrative Agent against, within 10 days after written demand therefor, any and all Taxes and any and all related losses, claims, liabilities and expenses (including fees, charges and disbursements of any counsel for the Administrative Agent) incurred by or asserted against the Administrative Agent by the IRS or any other Governmental Authority as a result of the failure of the Administrative Agent to properly withhold Tax from amounts paid to or for the account of any Lender or Issuing Bank, as applicable, for any reason (including, without limitation, because the appropriate form was not delivered or not properly executed, or because such Lender or Issuing Bank, as applicable, failed to notify the Administrative Agent of a change in circumstance that rendered the exemption from, or reduction of withholding Tax ineffective). A certificate as to the amount of such payment or liability delivered to any Lender or Issuing Bank by the Administrative Agent shall be conclusive absent manifest error. Each Lender and Issuing Bank hereby authorizes

the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender or Issuing Bank, as applicable, under this Agreement or any other Loan Document against any amount due the Administrative Agent under this paragraph. The agreements in this paragraph shall survive the resignation and/or replacement of the Administrative Agent, any assignment of rights by, or the replacement of, a Lender or Issuing Bank, the termination of the Commitments and the repayment, satisfaction or discharge of all other Obligations.

SECTION 8.13 Beneficiaries. Except with respect to Section 8.06, the provisions of this Article are solely for the benefit of the Administrative Agent, the Lenders and the Issuing Banks, and the Company shall not have any rights as a third party beneficiary of any such provisions.

ARTICLE IX

Miscellaneous

SECTION 9.01 Notices.

(a) Except in the case of notices and other communications expressly permitted to be given by telephone and subject to paragraph (b) of this Section, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax or other electronic communication (including email), as follows:

(i) if to the Company, the Administrative Agent, or PNC in its capacity as an Issuing Bank or a Swingline Lender, to it at the address specified for such Person on Schedule 9.01;

(ii) if to any other Lender, to it at its address set forth in its Administrative Questionnaire;

(iii) if to any other Issuing Bank, to it at the address specified in clause (ii) above or, if such Issuing Bank shall not also be a Lender, to it at the address most recently specified by it in a notice delivered to the Administrative Agent and the Company; and

(iv) if to any other Swingline Lender, to it at the address specified in clause (ii) above or, if such Swingline Lender shall not also be a Lender, to it at the address most recently specified by it in a notice delivered to the Administrative Agent and the Company.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by fax shall be deemed to have been given when sent (but if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next business day for the recipient); and notices delivered through electronic communications to the extent provided in paragraph (b) of this Section shall be effective as provided in such paragraph. The term address as used above may refer to a physical or electronic address (or contact number).

(b) Notices and other communications to the Lenders and the Issuing Banks hereunder may be delivered or furnished by electronic communications (including email and Internet and intranet websites) pursuant to procedures approved by the Administrative Agent (acting reasonably) (it being understood that, except as set forth in the following proviso, the Company may deliver notices and other communications to the Lenders and Issuing Banks by email); provided that the foregoing shall not apply to notices under Article II to any Lender or Issuing Bank if such Lender or Issuing Bank, as applicable, has notified the Administrative Agent that it is incapable of receiving notices under such Article by electronic communication. Any notices or other communications to the Administrative Agent or the Company may be delivered or furnished by email. Unless the Administrative Agent otherwise prescribes, (i) notices and other communications sent to an email address shall be deemed received when sent unless the sender receives notice from the intended recipient that such recipient is not reachable at such address or is "out of office" or a response from the intended recipient of similar import; provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient; and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its email address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

(c) Any party hereto may change its address, telephone or fax number or email address for notices and other communications hereunder by notice to the other parties hereto.

(d) The Administrative Agent may, but shall not be obligated to, make any Communication by posting such Communication on Debt Domain, IntraLinks, SyndTrak or a similar electronic transmission system (the "Platform"). The Platform is provided "as is" and "as available". None of the Company, the Administrative Agent nor any of their respective Related Parties warrants, or shall be deemed to warrant, the adequacy of the Platform, and the Company and the Administrative Agent expressly disclaim liability for errors or omissions in the Communications. No warranty of any kind, express, implied or statutory, including any warranty of merchantability, fitness for a particular purpose, non-infringement of third-party rights or freedom from viruses or other code defects, is made, or shall be deemed to be made, by the Company, the Administrative Agent or any of their respective Related Parties in connection with the Communications or the Platform. In no event shall the Company or the Subsidiaries, the Administrative Agent or any of their respective Related Parties have any liability to the Company, any Lender, any Issuing Bank or any other Person for damages of any kind, including direct or indirect, special, incidental or consequential damages, losses or expenses (whether in tort, contract or otherwise), arising out of the Company's or the Administrative Agent's transmission of Communications through the Platform; provided that nothing in this paragraph (d) shall limit the Company's indemnity and reimbursement obligations set forth in Section 9.03, including such indemnity and reimbursement obligations with respect to any damages, including direct or indirect, special, incidental or consequential damages, losses or expenses arising out of, in connection with or as a result of any claim, litigation, investigation or proceeding brought against any Indemnitee by any third party. Neither the Company nor the Administrative Agent is responsible for approving or vetting the representatives or contacts of any Lender or Issuing Bank that are added to the Platform.

SECTION 9.02 Waivers; Amendments. (a) No failure or delay by the Administrative Agent, any Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder and under the other Loan Documents are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or any other Loan Document or consent to any departure by the Company therefrom shall in any event be effective unless the same shall be permitted by Section 9.02(b) or 9.02(c), and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Without limiting the generality of the foregoing, the execution and delivery of this Agreement or any other Loan Document, the making of a Loan or the issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or any Issuing Bank or any Affiliate of any of the foregoing may have had notice or knowledge of such Default at the time.

(b) Except as provided in Section 9.02(c), none of this Agreement, any other Loan Document or any provision hereof or thereof may be waived, amended or modified except, in the case of this Agreement, pursuant to an agreement or agreements in writing entered into by the Company, the Administrative Agent and the Required Lenders and, in the case of any other Loan Document, pursuant to an agreement or agreements in writing entered into by the Company and the Administrative Agent, in each case with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender directly and adversely affected thereby (other than any waiver of any default interest applicable pursuant to Section 2.12(d) and waivers, amendments or modifications to any mandatory prepayments added to this Agreement after the Effective Date, including in connection with the Bridge Facility), (iii) postpone the scheduled maturity date of any Loan or the required date of reimbursement of any LC Disbursement or any scheduled date fixed for the payment of any principal, interest or fees payable under any Loan Document, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender directly and adversely affected thereby, (iv) change Section 2.17(b) or 2.17(c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender directly and adversely affected thereby, (v) change any of the provisions of this paragraph or the percentage set forth in the definition of the term "Required Lenders" or "Majority in Interest" or any other provision of any Loan Document specifying the number or percentage of Lenders (or Lenders of any Class) required to waive, amend or modify any rights thereunder or make any determination or grant any consent thereunder, without the written consent of each directly and adversely affected Lender, provided that, with the consent of the Required Lenders or in accordance with Section 2.19, 2.22 or 2.23, the provisions of this paragraph and the definition of the term "Required Lenders" or "Majority in Interest" may be amended to include references to any new class of commitments or loans created under this Agreement (or to lenders extending such commitments or loans); provided further that (A) no amendment, waiver or other modification of this Agreement or any other Loan Document shall amend, modify or otherwise directly and adversely affect the rights or duties of the Administrative

Agent, any Swingline Lender or any Issuing Bank without the prior written consent of the Administrative Agent, such Swingline Lender or such Issuing Bank, as the case may be, and (B) prior to the Conversion Date, no amendment, waiver or other modification of this Agreement or any other Loan Document shall be made that (x) amends, waives or otherwise modifies the conditions to borrowing described in Section 4.03 without the prior written consent of the Majority in Interest of the Tranche 2 Lenders and the Required Lenders or (y) amends, waives or otherwise modifies any provision of this Agreement or such other Loan Document in a manner that by its terms directly and adversely affects the rights in respect of payments due to Lenders holding Loans and Commitments under one Class differently than those holding Loans and Commitments under the other Class, without the prior written consent of the Majority in Interest of the Lenders of the directly and adversely affected Class.

(c) Notwithstanding anything to the contrary in paragraph (a) or (b) of this Section:

(i) without the consent of any other Person, the Company and the Administrative Agent (each in its sole discretion) may waive, amend or otherwise modify any Loan Document by an agreement in writing entered into by the Company and the Administrative Agent to (A) correct, amend, cure or resolve any ambiguity, omission, defect, typographical error, inconsistency, manifest error or mistake in such Loan Document, (B) make administrative and operational changes not adverse to any Lender or (C) otherwise enhance the rights and benefits of the Lenders and/or any Issuing Bank; provided that, in each case, any such waiver, amendment or modification shall become effective without any further action or the consent of any other Person if the same is not objected to in writing by the Required Lenders within five Business Days following receipt by the Lenders of written notice thereof;

(ii) no consent with respect to any amendment, waiver or other modification of this Agreement or any other Loan Document shall be required of any Defaulting Lender, except with respect to any amendment, waiver or other modification referred to in clause (i), (ii) or (iii) of the first proviso of Section 9.02(b) and then only in the event such Defaulting Lender shall be directly and adversely affected by such amendment, waiver or other modification;

(iii) in the case of any amendment, waiver or other modification referred to in the first proviso of Section 9.02(b), no consent with respect to any amendment, waiver or other modification of this Agreement or any other Loan Document shall be required of any Lender that receives payment in full of the principal of and interest accrued on each Loan made by such Lender, and all other amounts owing to or accrued for the account of such Lender under this Agreement and the other Loan Documents, at the time such amendment, waiver or other modification becomes effective and whose Commitments terminate by the terms and upon the effectiveness of such amendment, waiver or other modification;

(iv) any amendment, waiver or other modification of this Agreement or any other Loan Document that by its express terms affects the rights or duties hereunder or thereunder of the Lenders of one or more Classes (but not the Lenders of any other Class) may be effected by an agreement or agreements in writing entered into by the Company,

the Administrative Agent and the requisite number or percentage in interest of each affected Class of Lenders that would be required to consent thereto under this Section if such Class of Lenders were the only Class of Lenders hereunder at the time;

(v) this Agreement and the other Loan Documents may be amended in the manner provided in Sections 2.04(e), 2.05(i), 2.13(b), 2.19, 2.22 and 2.23 and as provided in the definition of the terms "LC Commitment" and "Swingline Commitment";

(vi) an amendment to this Agreement contemplated by the last sentence of the definition of the term "Applicable Rate" may be made pursuant to an agreement or agreements in writing entered into by the Company, the Administrative Agent and the Required Lenders; and

(vii) this Agreement may be amended (or amended and restated) with the prior written consent of the Required Lenders, the Administrative Agent and the Company (A) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof to share ratably in the benefits of this Agreement and the other Loan Documents with the Loans and the accrued interest and fees in respect thereof and (B) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders.

(d) The Administrative Agent may, but shall have no obligation to, with the consent of any Lender, execute amendments, waivers or other modifications on behalf of such Lender. Any amendment, waiver or other modification effected in accordance with this Section shall be binding upon each Person that is at the time thereof a Lender and each Person that subsequently becomes a Lender.

SECTION 9.03 Expenses; Indemnity; Damage Waiver. (a) The Company shall pay (i) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers (solely to the extent the Bridge Commitments are established under this Agreement pursuant to Section 2.23) and their respective Affiliates, including the reasonable and documented fees, charges and disbursements of counsel for any of the foregoing (but limited to a single primary counsel and, if necessary, a single local counsel in each relevant material jurisdiction (which may be a single local counsel acting in multiple jurisdictions), in each case, for the Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers and their respective Affiliates taken as a whole), in connection with the structuring, arrangement and syndication of the credit facilities provided for herein, including the preparation, execution and delivery of the Engagement Letter, the Bridge Commitment Letter and the Fee Letters, as well as the preparation, execution, delivery and administration of this Agreement, the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable and documented out-of-pocket expenses incurred by any Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all reasonable and documented out-of-pocket expenses incurred by the Administrative Agent, any Revolver Facility Arranger, any Bridge Facility Arranger (solely to the extent the Bridge Commitments are established under this

Agreement pursuant to Section 2.23), any Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for any of the foregoing, in connection with the enforcement or protection of its rights in connection with the Loan Documents, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Company shall (i) indemnify and hold harmless each of the Administrative Agent (and any sub-agent thereof), the Revolver Facility Arrangers, the Bridge Facility Arrangers (solely to the extent the Bridge Commitments are established under this Agreement pursuant to Section 2.23), the Syndication Agent, the Documentation Agents, each Lender and each Issuing Bank, and each Related Party of any of the foregoing (each such Person being called an "Indemnitee") from and against any and all losses, claims, damages, liabilities and expenses, joint or several, that may be brought or asserted against any Indemnitee (the "Indemnified Losses") as a result of or arising out of or in connection with (A) the Engagement Letter, the Bridge Commitment Letter, the Fee Letters, this Agreement, the other Loan Documents or the Transactions or any other transactions contemplated thereby, (B) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (C) any actual or alleged presence or Release of Hazardous Materials at, under, on or from any property currently or formerly owned or operated by the Company or any Subsidiary, or any other liability under Environmental Laws related in any way to the Company or any Subsidiary or (D) any claim, litigation, investigation or proceeding relating to any of the foregoing (a "Proceeding"), regardless of whether any such Indemnitee is a party thereto (and regardless of whether such Proceeding is initiated by a third party or by the Company, the PNG Acquired Company or any of their respective subsidiaries, Affiliates or equity holders), and (ii) reimburse each Indemnitee from time to time, upon presentation of a summary statement, for any reasonable and documented out-of-pocket legal or other expenses incurred in connection with investigating or defending any of the foregoing; provided that the foregoing indemnity will not, as to any Indemnitee, apply to losses, claims, damages, liabilities or related expenses to the extent (A) they are found in a final, nonappealable judgment of a court of competent jurisdiction to have resulted from (1) the willful misconduct, gross negligence or bad faith of such Indemnitee or a Related Party of such Indemnitee or (2) a material breach by such Indemnitee or its Affiliates of their obligations under this Agreement or (B) arising out of or in connection with any Proceeding that does not involve an act or omission of the Company or any of its Affiliates and that is brought by an Indemnitee against any other Indemnitee (other than against the Revolver Facility Arrangers, the Bridge Facility Arrangers, the Administrative Agent or another named agent, in each case, acting in its capacity or fulfilling its role as such), provided further that (x) such legal expenses shall be limited to the fees, disbursements and other charges of a single primary firm of counsel to the Indemnitees, taken as a whole, and, if necessary, a single local counsel to the Indemnitees, taken as a whole, in each relevant material jurisdiction (which may be a single local counsel acting in multiple jurisdictions) (and, in the case of an actual or perceived conflict of interest where the Indemnitee affected by such conflict informs the Company of such conflict and thereafter retains its own single firm of counsel (or, if necessary, its own single firm of local counsel in each relevant material jurisdiction (which may be a single local counsel acting in multiple jurisdictions)), of such conflict counsel for such affected Indemnitee and all similarly situated Indemnitees, taken as a whole) and (y) each

Indemnitee shall promptly repay to the Company all amounts previously paid by the Company pursuant to the foregoing provisions to the extent that such Indemnitee is found in a final, nonappealable judgment of a court of competent jurisdiction not to be entitled to indemnification hereunder as contemplated by the immediately preceding proviso.

(c) To the extent that the Company fails indefeasibly to pay any amount required under paragraph (a) or (b) of this Section to the Administrative Agent (or any sub-agent thereof), any Issuing Bank, any Swingline Lender or any Related Party of any of the foregoing (and without limiting its obligation to do so), each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), such Issuing Bank, such Swingline Lender or such Related Party, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought and, solely for purposes of this paragraph, during the period from the Effective Date until the Conversion or termination in full of the Tranche 2 Commitments deeming each reference to the term "Tranche 1 Commitments" in the definition thereof to be a reference to "Commitments") of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or such sub-agent), such Issuing Bank or such Swingline Lender in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent), such Issuing Bank or such Swingline Lender.

(d) To the fullest extent permitted by applicable law, the Company shall not assert, or permit any of its controlled Related Parties to assert, and the Company hereby waives, any claim against any Indemnitee (i) for any damages arising from the use by others of information or other materials obtained through telecommunications, electronic or other information transmission systems (including the Internet), except to the extent arising from the gross negligence or willful misconduct of such Indemnitee, as determined by a court of competent jurisdiction in a final and nonappealable judgment, or (ii) on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) To the fullest extent permitted by applicable law, the Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers, the Issuing Banks, the Lenders, the Syndication Agent and the Documentation Agents shall not assert, or permit any of their respective controlled Related Parties to assert, and each of them hereby waives, any claim against the Company or any of its Related Parties, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof; provided that nothing in this paragraph (e) shall limit the Company's indemnity and reimbursement obligations set forth in this Section 9.03, including such indemnity and reimbursement obligations with respect to any special, indirect, consequential or punitive damages arising out of, in connection with or as a result of any claim, litigation, investigation or proceeding brought against any Indemnitee by any third party.

(f) All amounts due under this Section 9.03 shall be payable promptly after written demand therefor.

SECTION 9.04 Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), except that (i) other than as expressly permitted by Section 6.02(a)(ii)(B), the Company may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender (and any attempted assignment or transfer by the Company without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 9.04 (and any attempted assignment or transfer by any Lender not permitted by this Section 9.04 shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), sub-agents of the Administrative Agent, Participants (to the extent provided in paragraph (c) of this Section), the Revolver Facility Arrangers, the Bridge Facility Arrangers, the Syndication Agent, the Documentation Agents and, to the extent expressly contemplated hereby, the Related Parties of the foregoing) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld, delayed or conditioned) of:

(A) the Company; provided that no consent of the Company shall be required for an assignment to a Lender or an Affiliate of a Lender or, if a Payment or Bankruptcy Event of Default has occurred and is continuing, any other Eligible Assignee;

(B) the Administrative Agent;

(C) each Issuing Bank; and

(D) each Swingline Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender, or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than $10,000,000 unless each of the Company and the Administrative Agent otherwise consents; provided that no such consent of the Company shall be required if a Payment or Bankruptcy Event of

Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement; provided that this clause (B) shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption (or an agreement incorporating by reference a form of Assignment and Assumption posted on the Platform), together with a processing and recordation fee of $3,500, provided that (x) only one such processing and recordation fee shall be payable in the event of simultaneous assignments from any Lender or its Approved Funds to one or more other Approved Funds of such Lender and (y) such processing and recordation fee may be waived by the Administrative Agent in its sole discretion; and

(D) the assignee, if it shall not already be a Lender, shall deliver to the Administrative Agent any tax forms required by Section 2.16(f) and an Administrative Questionnaire in which the assignee designates one or more credit contacts to whom all syndicate-level information (which may contain MNPI) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable law, including United States (Federal or State) and foreign securities laws.

(iii) Subject to acceptance and recording thereof pursuant to Section 9.04(b)(iv), from and after the effective date specified in each Assignment and Assumption (or an agreement incorporating by reference a form of Assignment and Assumption posted on the Platform) the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.14, 2.15, 2.16 and 9.03); provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from such Lender having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Section 9.04(c).

(iv) The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Company, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and records of the names and addresses of the Lenders, and the Commitments of, and principal amount (and stated interest) of the Loans and LC

Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Company, the Administrative Agent, the Issuing Banks and the Lenders shall treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Company and, as to entries pertaining to it, any Issuing Bank or Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon receipt by the Administrative Agent of an Assignment and Assumption (or an agreement incorporating by reference a form of Assignment and Assumption posted on the Platform) executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire and any tax forms required by Section 2.16(f) (unless the assignee shall already be a Lender hereunder) and the processing and recordation fee referred to in this Section 9.04, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that the Administrative Agent shall not be required to accept such Assignment and Assumption or so record the information contained therein if the Administrative Agent reasonably believes that such Assignment and Assumption lacks any written consent required by this Section 9.04 or is otherwise not in proper form, it being acknowledged that the Administrative Agent shall have no duty or obligation (and shall incur no liability) with respect to obtaining (or confirming the receipt) of any such written consent or with respect to the form of (or any defect in) such Assignment and Assumption, any such duty and obligation being solely with the assigning Lender and the assignee. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph, and following such recording, unless otherwise determined by the Administrative Agent (such determination to be made in the sole discretion of the Administrative Agent, which determination may be conditioned on the consent of the assigning Lender and the assignee), shall be effective notwithstanding any defect in the Assignment and Assumption relating thereto. Each assigning Lender and the assignee, by its execution and delivery of an Assignment and Assumption, shall be deemed to have represented to the Administrative Agent that all written consents required by this Section 9.04 with respect thereto (other than the consent of the Administrative Agent) have been obtained and that such Assignment and Assumption is otherwise duly completed and in proper form, and each assignee, by its execution and delivery of an Assignment and Assumption, shall be deemed to have represented to the assigning Lender and the Administrative Agent that such assignee is an Eligible Assignee. The Administrative Agent shall have no responsibility or liability for an assignment to a Person that is not an Eligible Assignee.

(c) (i) Any Lender may, without the consent of the Company, the Administrative Agent, any Swingline Lender or any Issuing Bank, sell participations to one or more Eligible Assignees ("Participants") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitments and Loans of any Class); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Company, the Administrative Agent, the Issuing Banks and the other

Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and/or obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement or any other Loan Document; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in clause (i), (ii) or (iii) of the first proviso to Section 9.02(b) that directly and adversely affects such Participant. The Company agrees that each Participant shall be entitled to the benefits of Sections 2.14, 2.15 and 2.16 (subject to the requirements and limitations therein, including the requirements under Section 2.16(f) (it being understood that the documentation required under Section 2.16(f) shall be delivered to the participating Lender)) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to Section 9.04(b); provided that such Participant (x) agrees to be subject to the provisions of Sections 2.17 and 2.18 as if it were an assignee under Section 9.04(b) and (y) shall not be entitled to receive any greater payment under Section 2.14 or 2.16 with respect to any participation than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a Change in Law that occurs after the Participant acquired the applicable participation. Each Lender that sells a participation agrees, at the Company's request and expense, to use reasonable efforts to cooperate with the Company to effectuate the provisions of Section 2.18(b) with respect to any Participant. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender; provided that such Participant agrees to be subject to Section 2.17(c) as though it were a Lender.

(ii) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Company, maintain records of the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under this Agreement or any other Loan Document (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any Commitments, Loans, Letters of Credit or other rights and/or obligations under this Agreement or any other Loan Document) to any Person except to the extent that such disclosure is necessary to establish that any such Commitment, Loan, Letter of Credit or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as such) shall have no responsibility for maintaining a Participant Register.

(d) Any Lender may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or grant to secure obligations to a Federal Reserve Bank or other central bank, and this Section 9.04 shall not apply to any such pledge or grant of a security interest; provided that no such pledge or grant of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05 Survival. All representations and warranties made by the Company in the Loan Documents or other documents delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto or thereto and shall survive the execution and delivery of this Agreement and the other Loan Documents and the making of any Loans and the issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that any of the Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers, the Syndication Agent, the Documentation Agents, the Issuing Banks, the Lenders or any Related Party of any of the foregoing may have had notice or knowledge of any Default or incorrect representation or warranty at the time any Loan Document was executed and delivered or any credit was extended hereunder, and all representations and warranties made by the Company and all covenants and agreements of the Company (for the avoidance of doubt, when in effect) contained in the Loan Documents or other documents delivered in connection with or pursuant to this Agreement or any other Loan Document shall continue in full force and effect as long as Payment in Full has not occurred. Notwithstanding the foregoing or anything else to the contrary set forth in this Agreement or any other Loan Document, in the event that, in connection with the refinancing or repayment in full of the Facilities, an Issuing Bank shall have provided to the Administrative Agent a written consent to the release of the Lenders from their obligations hereunder with respect to any Letter of Credit issued by such Issuing Bank (whether as a result of the obligations of the Company (and any other account party) in respect of such Letter of Credit having been collateralized in full by a deposit of cash with such Issuing Bank, or being supported by a letter of credit that names such Issuing Bank as the beneficiary thereunder, or other arrangements satisfactory to such Issuing Bank having been made), then from and after such time such Letter of Credit shall cease to be a "Letter of Credit" outstanding hereunder for all purposes of this Agreement and the other Loan Documents (including for purposes of determining whether the Company is required to comply with Articles V and VI hereof, but excluding Sections 2.14, 2.15, 2.16 and 9.03 and any expense reimbursement or indemnity provisions set forth in any other Loan Document), and the Tranche 1 Lenders shall be deemed to have no participations in such Letter of Credit, and no obligations with respect thereto, under Section 2.05(d) or 2.05(f). The provisions of Sections 2.14, 2.15, 2.16, 2.17(d) and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06 Counterparts; Integration; Effectiveness; Electronic Execution.

(a) This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to (i) fees payable to the Administrative Agent and (ii) changes to the LC Commitment of any Issuing Bank or the Swingline Commitment of any Swingline Lender constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof (but notwithstanding anything herein to the contrary, do not supersede (A) except as may be set forth in the Bridge Facility Agreement, the commitments under the Bridge Commitment Letter with respect to the "Facility" as defined therein or any other provision of the Bridge Commitment Letter or any Fee Letter with respect to the "Facility" as defined therein and

(B) any provisions of the Engagement Letter or any Fee Letter with respect to the Facilities that do not by the terms of such documents terminate upon the effectiveness of this Agreement, all of which provisions shall remain in full force and effect). This Agreement shall become effective when it shall have been executed by the Administrative Agent and the Administrative Agent shall have received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto and the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02), and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) Delivery of an executed counterpart of a signature page of this Agreement by fax or other electronic imaging shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution", "execute", "signed", "signature" and words of like import in or related to any document to be signed in connection with this Agreement (including any Assignment and Assumptions, amendments and other notices, waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on the Platform, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act; provided that that notwithstanding anything contained herein to the contrary, the Administrative Agent is not under any obligation to agree to accept electronic signatures in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it.

SECTION 9.07 Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08 Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and Issuing Bank and each Affiliate of any of the foregoing is hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Issuing Bank or by such an Affiliate to or for the credit or the account of the Company against any of and all the obligations of the Company then due to such Lender or Issuing Bank or any Affiliate of any of the foregoing now or hereafter existing under this Agreement or any other Loan Document held by such Lender or Issuing Bank, irrespective of whether or not such Lender or Issuing Bank shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Company are owed to a branch, office or Affiliate of such Lender or Issuing Bank different from the branch, office or Affiliate holding such deposit or obligated on such indebtedness. The rights of each Lender and Issuing Bank and each Affiliate of any of the foregoing under this Section 9.08 are in addition to other rights and remedies (including other rights of setoff) that such Lender or Issuing Bank or such Affiliate may have. Each Lender and Issuing Bank agrees to promptly notify

the Company and the Administrative Agent after any such setoff and application; provided that the failure to give notice shall not affect the validity of such setoff and application.

SECTION 9.09 Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be governed by, and construed in accordance with, the law of the State of New York; provided that (i) the interpretation of the definition of Material Adverse Effect (as defined in the PNG Purchase Agreement) and/or whether or not a Material Adverse Effect (as defined in the PNG Purchase Agreement), or any state of facts, circumstances, effects, changes, events or developments that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect (as defined in the PNG Purchase Agreement), has occurred and is continuing, (ii) the determination of the accuracy of any PNG Purchase Agreement Representations and whether as a result of any breach thereof the Company (or any of its Affiliates) has the right (taking into account any applicable cure periods) to terminate its obligations under the PNG Purchase Agreement or the right to elect not to consummate the PNG Acquisition and (iii) the determination of whether the PNG Acquisition has been consummated in all material respects in accordance with the terms of the PNG Purchase Agreement, in each case, shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware without giving effect to the choice of law principles thereof.

(b) Each party hereto hereby irrevocably and unconditionally submits, for itself and its property, to the jurisdiction of the United States District Court of the Southern District of New York and of the Supreme Court of the State of New York sitting in New York County in the Borough of Manhattan, and any appellate court from any thereof, in any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each party hereto hereby irrevocably and unconditionally agrees that all claims arising out of or relating to this Agreement or any other Loan Document brought by it or any of its Affiliates shall be brought, and shall be heard and determined, exclusively in such Federal court (or in the event such court lacks subject matter jurisdiction, such New York State court). Each party hereto agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Each party to this Agreement hereby irrevocably and unconditionally waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in Section 9.09(b). Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such suit, action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement or any other Loan Document will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL

PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11 Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12 Confidentiality. Each of the Administrative Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its Related Parties, including accountants, legal counsel and other agents and advisors, it being understood that the Persons to whom such disclosure is made either are informed of the confidential nature of such Information and instructed to keep such Information confidential or are subject to customary confidentiality obligations of employment or professional practice, (b) to the extent required or requested by any Governmental Authority purporting to have jurisdiction over such Person or its Related Parties (including any self-regulatory authority, such as the National Association of Insurance Commissioners) (in which case such Person agrees to inform the Company promptly thereof prior to such disclosure to the extent practicable and not prohibited by applicable law (except with respect to any audit or examination conducted by bank accountants or any Governmental Authority exercising examination or regulatory authority)), (c) to the extent required by applicable law or by any subpoena or similar legal process (in which case such Person agrees to inform the Company promptly thereof prior to such disclosure to the extent practicable and not prohibited by applicable law), (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under this Agreement or any other Loan Document or any suit, action or proceeding relating to this Agreement or any other Loan Document, the enforcement of rights hereunder or thereunder or any Transactions, (f) subject to an agreement containing confidentiality undertakings substantially the same as those of this Section 9.12 (which shall be deemed to include those required to be made in order to obtain access to information posted on IntraLinks, SyndTrak or any other Platform), to any assignee of or Participant in (or its Related Parties), or any prospective assignee of or Participant in (or its Related Parties), any of its rights or obligations under this Agreement, (g) on a confidential basis to (i) any rating agency in connection with rating the Company or the Subsidiaries or the credit facilities provided for herein or (ii) the CUSIP Service Bureau or any similar agency to the extent required in connection with the issuance and monitoring of CUSIP numbers with respect to the credit facilities provided for herein, (h) with the consent of the Company, (i) to market data collectors, similar service providers to the lending industry and service providers to the Administrative Agent and the Lenders in connection with the administration and management of this Agreement or any other Loan Document, provided that such information is limited to the information about this Agreement and the other Loan

Documents, or (j) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section 9.12 or (ii) becomes available to the Administrative Agent, any Issuing Bank, any Lender or any Affiliate of any of the foregoing on a nonconfidential basis from a source other than the Company or any Subsidiary that is not known by the Administrative Agent, such Lender, such Issuing Bank or such Affiliate to be prohibited from disclosing such Information to such Persons by a legal, contractual, or fiduciary obligation to the Company or any Subsidiary. For purposes of this Section 9.12, "Information" means all information received from the Company or any Subsidiary relating to the Company, the PNG Acquired Company or any of their respective subsidiaries or their businesses, other than any such information that is available to the Administrative Agent, any Issuing Bank, any Lender or any Affiliate of any of the foregoing on a nonconfidential basis prior to disclosure by the Company or any Subsidiary; provided that, in the case of information received from the Company or any Subsidiary after the Effective Date, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section 9.12 shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information. It is agreed that, notwithstanding the restrictions of any prior confidentiality agreement binding on the Administrative Agent, any Revolver Facility Arranger or any Bridge Facility Arranger (solely to the extent the Bridge Commitments are established under this Agreement pursuant to Section 2.23), such Persons may disclose Information as provided in this Section 9.12. The Company consents to the publication by the Administrative Agent or any Lender of customary advertising material relating to the transactions contemplated hereby using the name, product photographs, logo or trademark of the Company and the Subsidiaries.

SECTION 9.13 Interest Rate Limitation. Notwithstanding anything herein to the contrary, the interest rate applicable to any Loan, together with all fees, charges and other amounts that are treated as interest on such Loan shall not exceed the maximum rate of non-usurious interest permitted by applicable law (the "Maximum Rate"). If the Administrative Agent or any Lender shall receive interest in an amount that exceeds the Maximum Rate, the excess interest shall be applied to the principal of the Loans or, if it exceeds such unpaid principal, refunded to the Company. In determining whether the interest contracted for, charged, or received by the Administrative Agent or a Lender exceeds the Maximum Rate, such Person may, to the extent permitted by applicable law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the obligations hereunder.

SECTION 9.14 USA PATRIOT Act Notice. Each Lender and the Administrative Agent (for itself and not on behalf of any Lender) hereby notifies the Company that pursuant to the requirements of the USA PATRIOT Act it is required to obtain, verify and record information that identifies the Company, which information includes the name and address of the Company and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Company in accordance with the USA PATRIOT Act.

SECTION 9.15 No Fiduciary Relationship. The Company, on behalf of itself and the Subsidiaries, agrees that in connection with all aspects of the transactions contemplated hereby and any communications in connection therewith, the Company and its Affiliates, on the

one hand, and the Administrative Agent, the Lenders, the Issuing Banks and their Affiliates, on the other hand, will have a business relationship that does not create, by implication or otherwise, any fiduciary duty on the part of the Administrative Agent, the Lenders, the Issuing Banks or their Affiliates, and no such duty will be deemed to have arisen in connection with any such transactions or communications. The Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers, the Lenders, the Issuing Banks and their Affiliates may be engaged, for their own accounts or the accounts of customers, in a broad range of transactions that involve interests that differ from those of the Company and its Affiliates, and none of the Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers, the Lenders, the Issuing Banks or their Affiliates has any obligation to disclose any of such interests to the Company or any of its Affiliates. To the fullest extent permitted by law, the Company hereby waives and releases any claims that it or any of its Affiliates may have against the Administrative Agent, the Revolver Facility Arrangers, the Bridge Facility Arrangers, the Lenders, the Issuing Banks or their respective Affiliates with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated hereby.

SECTION 9.16 Non-Public Information. (a) Each Lender and Issuing Bank acknowledges that all information, including requests for waivers and amendments, furnished by the Company or the Administrative Agent pursuant to or in connection with, or in the course of administering, this Agreement will be syndicate-level information, which may contain MNPI. Each Lender and Issuing Bank represents to the Company and the Administrative Agent that (i) it has developed compliance procedures regarding the use of MNPI and that it will handle MNPI in accordance with such procedures and applicable law, including Federal, state and foreign securities laws, and (ii) it has identified in its Administrative Questionnaire a credit contact who may receive information that may contain MNPI in accordance with its compliance procedures and applicable law, including United States (Federal or state) and foreign securities laws.

(b) The Company and each Lender and Issuing Bank acknowledge that, if information furnished by or on behalf of the Company pursuant to or in connection with this Agreement is being distributed by the Administrative Agent through the Platform, (i) the Administrative Agent may post any information that the Company has indicated as containing MNPI solely on that portion of the Platform designated for Private Side Lender Representatives and (ii) if the Company has not indicated whether any information furnished by it pursuant to or in connection with this Agreement contains MNPI, the Administrative Agent reserves the right to post such information solely on that portion of the Platform designated for Private Side Lender Representatives. The Company agrees to clearly designate all information provided to the Administrative Agent by or on behalf of the Company that is suitable to be made available to Public Side Lender Representatives, and the Administrative Agent shall be entitled to rely on any such designation by the Company without liability or responsibility for the independent verification thereof.

(c) If the Company does not file this Agreement with the SEC, then the Company hereby authorizes the Administrative Agent to distribute the execution version of this Agreement and the Loan Documents to all Lenders and Issuing Banks, including their Public Side Lender Representatives. The Company acknowledges its understanding that Lenders and Issuing Banks, including their Public Side Lender Representatives, may be trading in securities of the Company and its Affiliates while in possession of the Loan Documents.

(d) The Company represents and warrants that none of the information contained in the Loan Documents constitutes or contains MNPI. To the extent that any of the executed Loan Documents at any time constitutes MNPI, the Company agrees that it will promptly make such information publicly available by press release or public filing with the SEC.

SECTION 9.17 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among the parties hereto, each party hereto acknowledges that any liability of any Lender or Issuing Bank that is an EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender or Issuing Bank that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective authorized officers as of the day and year first above written.

AQUA AMERICA, INC.

by	/s/ Daniel J. Schuller
Name:	Daniel J. Schuller
Title:	Executive Vice President and Chief Financial Officer

[Signature Page to Aqua America, Inc. Credit Agreement]

PNC BANK, NATIONAL ASSOCIATION,
as the Administrative Agent, a Swingline Lender, a Lender and an Issuing Bank,

by /s/ Domenic D'Ginto
Name: Domenic D'Ginto
Title: Senior Vice President

[Signature Page to Aqua America, Inc. Credit Agreement]

SIGNATURE PAGE TO
CREDIT AGREEMENT OF
AQUA AMERICA, INC.

Name of Institution: CoBank

by /s/ Bryan Ervin
Name: Bryan Ervin
Title: Vice President

Name of Institution: Bank of America

by /s/ Kevin Dobosz
Name: Kevin Dobosz
Title: Senior Vice President

Name of Institution: Barclays

by /s/ Sydney G. Dennis
Name: Sydney G. Dennis
Title: Director

Name of Institution: Citizens

by /s/ Leslie Broderick
Name: Leslie Broderick
Title: Senior Vice President

Name of Institution: Morgan Stanley

by /s/ Michael King
Name: Michael King
Title: Authorized Signatory

Name of Institution: MUFG

by /s/ Paul Farrell
Name: Paul Farrell
Title: Managing Director

[Signature Page to Aqua America, Inc. Credit Agreement]

Name of Institution: RBC

by /s/ Frank Lambrinos
Name: Frank Lambrinos
Title: Authorized Signatory

Name of Institution: Huntington

by /s/ Michael Kiss
Name: Michael Kiss
Title: Vice President

Name of Institution: Wells Fargo

by /s/ Sheila M. Shaffer
Name: Sheila M. Shaffer
Title: Director

For any Lender requiring a second signature block:

by /s/ Sheila M. Shaffer
Name: Sheila M. Shaffer
Title: Director

[Signature Page to Aqua America, Inc. Credit Agreement]

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Section 5: EX-10.11.1 (EX-10.11.1)

Exhibit 10.11.1

SCHEDULE OF CHANGE IN CONTROL AGREEMENTS

In accordance with Instruction 2 to Item 601 of Regulation S-K, Aqua America, Inc. (the "Company") has omitted filing Change in Control Agreements by and between the Company and the following executive officers because the agreements are substantially identical in all material respects to the form of Change in Control Agreement filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2015:

1. Daniel J. Schuller
2. Christopher P. Luning
3. Richard S. Fox
4. Matthew R. Rhodes

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Section 6: EX-10.2.2 (EX-10.2.2)

Exhibit 10.2.2

SECOND AMENDMENT TO CREDIT AGREEMENT

THIS SECOND AMENDMENT TO CREDIT AGREEMENT is made as of this 9th day of November, 2018, by and among AQUA PENNSYLVANIA, INC., a Pennsylvania corporation ("Borrower"), the several banks which are parties to this Agreement (each a "Bank" and collectively, the "Banks") and PNC BANK, NATIONAL ASSOCIATION in its capacity as agent for the Banks (in such capacity, the "Agent").

BACKGROUND

A. The Borrower, the Agent and the Banks are parties to an Amended and Restated Credit Agreement, dated as of November 17, 2016 (as heretofore amended, supplemented, modified, or restated, the "Credit Agreement"), pursuant to which the Banks have made available to the Borrower a revolving credit facility in an aggregate amount of $100,000,000 (the "Facility"). The loans under the Facility are evidenced by the Borrower's Notes to the Banks in the aggregate principal amount of $100,000,000.

B. The Borrower, the Agent and the Banks desire to extend the Termination Date of the Facility and modify certain other provisions of the Credit Agreement, all on the terms and subject to the conditions herein set forth.

NOW THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

2. Amendment to Credit Agreement. Effective on November 14, 2018 (the "Effective Date"), the Credit Agreement is hereby amended as follows:

(a) The following definitions shall be inserted in Section 1.1 in the appropriate alphabetical order:

"Beneficial Owner": for the Borrower, each of the following: (i) each individual, if any, who, directly or indirectly, owns

25% or more of the Borrower's Capital Stock; and (ii) a single individual with significant responsibility to control, manage, or direct the Borrower.

"Beneficial Ownership Regulations": means 31 C.F.R. § 1010.230.

"Certificate of Beneficial Ownership": for the Borrower, a certificate in form and substance acceptable to the Agent (as amended or modified by the Agent from time to time in its sole discretion), certifying, among other things, the Beneficial Owner of the Borrower.

"Euro-Rate Termination Date": as defined in subsection 2.10(d).

"FCPA" shall mean the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder.

"Overnight Bank Funding Rate": for any day, the rate comprised of both overnight federal funds and overnight Eurocurrency borrowings by U.S.-managed banking offices of depository institutions, as such composite rate shall be determined by the Federal Reserve Bank of New York ("NYFRB"), as set forth on its public website from time to time, and as published on the next succeeding Business Day as the overnight bank funding rate by the NYFRB (or by such other recognized electronic source (such as Bloomberg) selected by the Agent for the purpose of displaying such rate); provided, that if such day is not a Business Day, the Overnight Bank Funding Rate for such day shall be such rate on the immediately preceding Business Day; provided, further, that if such rate shall at any time, for any reason, no longer exists, a comparable replacement rate determined by the Agent at such time (which determination shall be conclusive absent manifest error). If the Overnight Bank Funding Rate determined as above would be less than zero, then such rate shall be deemed to be zero. The rate of interest charged shall be adjusted as of each Business Day based on changes in the Overnight Bank Funding Rate without notice to the Borrower.

(b) The following definitions in Section 1.1 of the Credit Agreement are hereby amended and restated to read in full as follows:

"Anti-Terrorism Laws": any Laws relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering, bribery or anti-corruption (including the FCPA) and any regulation, order, or directive promulgated, issued or enforced pursuant to such Laws (including, without limitation, any of the foregoing promulgated by the U.S. Department of the Treasury's Office of Foreign Assets Control, the U.S. Department of State, the United Nations Security Council, the European Union and member states, Her Majesty's Treasury of the United Kingdom, the Hong Kong Monetary Authority, or other relevant sanctions authority), all as amended, supplemented or replaced from time to time.

"Termination Date": the earlier of (a) November 12, 2019 or any later date to which the Termination Date shall have been extended pursuant to subsection 2.8(d) hereof and (b) the date the Commitments are terminated as provided herein.

(c) Section 2.10 of the Credit Agreement is hereby amended and restated to read in full as follows:

"2.10 Eurodollar Rate Unascertainable; Illegality; Increased Costs; Deposits Not Available; Successor Eurodollar Rate.

(a) The Agent shall have the rights specified in subsection 2.10(c) if on any date on which a Eurodollar Rate would otherwise be determined, the Agent shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such Eurodollar Rate, or

(ii) a contingency has occurred which materially and adversely affects the secondary market for negotiable certificates of deposit maintained by dealers of recognized standing relating to the London Interbank Market relating to the Eurodollar Rate.

(b) The Agent shall have the rights specified in subsection 2.10(c) if at any time any Bank shall have determined that:

(i) the making, maintenance or funding of any Loan to which a Eurodollar Rate applies has been made impracticable or unlawful by compliance by such Bank in good faith with any Law or any interpretation or application thereof by any Governmental Authority or with any request or directive of any such Governmental Authority (whether or not having the force of Law), or

(ii) such Eurodollar Rate will not adequately and fairly reflect the cost to such Bank of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount for the relevant Interest Period for a Loan to which a Eurodollar Rate applies are not available to such Bank in the London Interbank Market.

(c) In the case of any event specified in subsection 2.10(a) above, the Agent shall promptly so notify the Banks and the Borrowers thereof, and in the case of an event specified in subsection 2.10(b) above, such Bank shall promptly so notify the Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Agent shall promptly send copies of such notice and certificate to the other Banks and the Borrower. Upon such

date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (A) the Banks, in the case of such notice given by the Agent, or (B) such Bank, in the case of such notice given by such Bank, to allow the Borrower to select, convert to or renew a Eurodollar Rate shall be suspended until the Agent shall have later notified the Borrower, or such Bank shall have later notified the Agent, of the Agent's or such Bank's, as the case may be, determination that the circumstances giving rise to such previous

determination no longer exist. If at any time the Agent makes a determination under subsection 2.10(a) and the Borrower has previously notified the Agent of its selection of, conversion to or renewal of a Eurodollar Rate and such interest rate has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of a Base Rate Loan to the extent permitted hereunder. If any Bank notifies the Agent of a determination under subsection 2.10(b), the Borrower shall, subject to the Borrowers' indemnification obligations under subsection 2.13 as to any Loan of the Bank to which a Eurodollar Rate applies, on the date specified in such notice either (i) as applicable, convert such Loan to the Base Rate, or (ii) prepay such Loan in accordance with Section 2.9. Absent due notice from the Borrower of conversion or prepayment, such Loan shall automatically be converted to the Base Rate upon such specified date.

(d) (i) If the Agent determines (which determination shall be final and conclusive, absent manifest error) that either (A) (I) the circumstances set forth in subsection 2.10(a) have arisen and are unlikely to be temporary, or (II) the circumstances set forth in subsection 2.10(a) have not arisen but the applicable supervisor or administrator (if any) of the Eurodollar Rate or a Governmental Authority having jurisdiction over the Agent has made a public statement identifying the specific date after which the Eurodollar Rate shall no longer be used for determining interest rates for loans (either such date, a "Euro-Rate Termination Date"), or (B) a rate other than the Eurodollar Rate has become a widely recognized benchmark rate for newly originated loans in Dollars in the U.S. market, then the Agent may (in consultation with the Borrower) choose a replacement index for the Eurodollar Rate and make adjustments to applicable margins and related amendments to this Agreement as referred to below such that, to the extent practicable, the all-in interest rate based on the replacement index will be substantially equivalent to the all-in Eurodollar Rate-based interest rate in effect prior to its replacement.

(ii) The Agent and the Borrower shall enter into an amendment to this Agreement to reflect the replacement index, the adjusted margins and such other related amendments as may be appropriate, in the discretion of the Agent, for the implementation and administration of the replacement index-based rate. Notwithstanding anything to the contrary in this Agreement or the other Loan Documents (including,

without limitation, Section 9.1), such amendment shall become effective without any further action or consent of any other party to this Agreement at 5:00 p.m. Philadelphia time on the tenth (10th) Business Day after the date a draft of the amendment is provided to the Banks, unless the Agent receives, on or before such tenth (10th) Business Day, a written notice from the Required Banks stating that such Banks object to such amendment.

(iii) Selection of the replacement index, adjustments to the applicable margins, and amendments to this Agreement (A) will be determined with due consideration to the then-current market practices for determining and implementing a rate of interest for newly originated loans in the United States and loans converted from a Eurodollar Rate-based rate to a replacement index-based rate, and (B) may also reflect adjustments to account for (I) the effects of the transition from the Eurodollar Rate to the replacement index and (II) yield- or risk-based differences between the Eurodollar Rate and the replacement index.

(iv) Until an amendment reflecting a new replacement index in accordance with this Subsection 2.10(d) is effective, each advance, conversion and renewal of a Loan under the Eurodollar Rate Option will continue to bear interest with reference to the Eurodollar Rate; provided, however, that if the Agent determines (which determination shall be final and conclusive, absent manifest error) that a Euro-Rate Termination Date has occurred, then following the Euro-Rate Termination Date, all Loans as to which the Eurodollar Rate would otherwise apply shall automatically be converted to the Base Rate (which shall be determined without utilizing the Daily LIBOR Rate component thereof) until such time as an amendment reflecting a replacement index and related matters as described above is implemented.

(v) Notwithstanding anything to the contrary contained herein, if at any time the replacement index is less than zero, at such times, such index shall be deemed to be zero for purposes of this Agreement."

(d) Section 3.21 of the Credit Agreement is hereby amended and restated to read in full as follows:

"3.21 No Covered Entity is a Sanctioned Person. No Covered Entity, either in its own right or through any third party (a) has any of its assets in a Sanctioned Country or in the possession, custody or control of a Sanctioned Person in violation of any Anti-Terrorism Law; (b) does business in or with, or derives any of its income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any Anti-Terrorism Law; or (c) engages in any dealings or transactions prohibited by any Anti-Terrorism Law. The

Borrower has instituted and maintains policies and procedures designed to promote and achieve continued compliance with Anti-Terrorism Laws."

(e) The following two additional Sections 3.23 and 3.24 are hereby added at the end of Section 3 of the Credit Agreement:

"3.23 Anti-Corruption. Neither the Borrower nor any of its Subsidiaries, nor, to the knowledge of any Responsible Officer of the Borrower, any director, officer, agent, employee or other person acting on behalf of the Borrower or any of its Subsidiaries, has taken any action, directly or indirectly, that would result in a violation by such persons of the FCPA or any other applicable anti-corruption law; and the Borrower has instituted and maintains policies and procedures designed to promote and achieve continued compliance therewith.

3.24 Certificate of Beneficial Ownership. If the Borrower qualifies as a legal entity customer under the Beneficial Ownership Regulations, the Certificate of Beneficial Ownership for the Borrower executed and delivered to the Agent and the Banks on or prior to the date of this Agreement, as updated from time to time in accordance with this Agreement, is accurate, complete and correct as of the date hereof and as of the date any such update is delivered. The Borrower acknowledges and agrees that the Certificate of Beneficial Ownership is one of the Loan Documents."

(f) The following additional Section 5.13 shall be added at the end of Section 5 of the Credit Agreement:

"5.13 Certificate of Beneficial Ownership and Other Additional Information. The Borrower shall provide to the Agent and the Banks: (i) confirmation of the accuracy of the information set forth in the most recent Certificate of Beneficial Ownership, if any, provided to the Agent and the Banks; (ii) if applicable, a new Certificate of Beneficial Ownership when the individual(s) to be identified as a Beneficial Owner have changed; and (iii) such other information and documentation as may reasonably be requested by the Agent or any Bank from time to time for purposes of compliance by the Agent or such Bank with applicable Laws (including without limitation the USA Patriot Act and other "know your customer" and anti-money laundering rules and regulations), and any policy or procedure implemented by the Agent or such Bank to comply therewith."

3. Loan Documents. Except where the context clearly requires otherwise, all references to the Credit Agreement in any of the Loan Documents or any other document delivered to the Banks or the Agent in connection therewith shall be to the Credit Agreement as amended by this Agreement.

4. Borrower's Ratification. The Borrower agrees that it has no defenses or set-offs against the Banks or the Agent or their respective officers,

directors, employees, agents or attorneys, with respect to the Loan Documents, all of which are in full force and effect, and that all of the terms and conditions of the Loan Documents not inconsistent herewith shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms. The Borrower hereby ratifies and confirms its obligations under the Loan Documents as

amended hereby and agrees that the execution and delivery of this Agreement does not in any way diminish or invalidate any of its obligations thereunder.

5. Representations and Warranties. The Borrower hereby represents and warrants to the Agent and the Banks that:

(a) The representations and warranties made in the Credit Agreement are true and correct in all material respects as of the date hereof; provided, however, that for purposes of the representations in Section 3.1 thereof, the annual and quarterly financial information referred to in such Section shall be deemed to be the most recent such information furnished to each Bank;

(b) No Default or Event of Default under the Credit Agreement exists on the date hereof; and

(c) This Agreement has been duly authorized, executed and delivered so as to constitute the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms.

All of the above representations and warranties shall survive the making of this Agreement.

6. Conditions Precedent. The effectiveness of the amendments set forth herein is subject to the fulfillment, to the satisfaction of the Agent and its counsel, of the following conditions precedent on or before the Effective Date:

(a) The Agent shall have received, with copies or counterparts for each Bank as appropriate, the following, all of which shall be in form and substance satisfactory to the Agent and shall be duly completed and executed by the Borrower, the Agent and the Banks, as applicable:

(i) This Agreement;

(ii) Copies, certified by the Secretary or an Assistant Secretary of the Borrower as of a recent date, of resolutions of the board of directors of the Borrower in effect on the date hereof authorizing the execution, delivery and performance of this Agreement and the other documents and transactions contemplated hereby;

(iii) Copies, certified by its corporate secretary as of a recent date, of the articles of incorporation, certificate of formation, and by-laws of the Borrower as in effect, or a certificate stating that there have been no changes to any such documents since the most recent date, true and correct copies thereof were delivered to the

Agent;

(iv) If the Borrower qualifies as a legal entity customer under the Beneficial Ownership Regulations, an executed Certificate of Beneficial Ownership for the Borrower and such other documentation and other information requested by the Agent and the Banks in connection with applicable "know your customer" and anti-money laundering rules and regulations, including the USA Patriot Act; and

(v) Such additional documents, certificates and information as the Agent or the Banks may require pursuant to the terms hereof or otherwise reasonably request.

(b) After giving effect to this Agreement, the representations and warranties set forth in the Credit Agreement shall be true and correct in all material respects on and as of the date hereof; provided, however, that for purposes of the representations in Section 3.1 thereof, the annual and quarterly financial information referred to in such Section shall be deemed to be the most recent such information furnished to each Bank.

(c) No Default or Event of Default shall have occurred and be continuing as of the date hereof.

7. Miscellaneous.

(a) All terms, conditions, provisions and covenants in the Loan Documents and all other documents delivered to the Agent and the Banks in connection therewith shall remain unaltered and in full force and effect except as modified or amended hereby. To the extent that any term or provision of this Agreement is or may be deemed expressly inconsistent with any term or provision in any Loan Document or any other document executed in connection therewith, the terms and provisions hereof shall control.

(b) The execution, delivery and effectiveness of this Agreement shall neither operate as a waiver of any right, power or remedy of the Agent or the Banks under any of the Loan Documents nor constitute a waiver of any Default or Event of Default thereunder.

(c) In consideration of the Agent's and the Banks' agreement to amend the existing revolving credit facility, the Borrower hereby waives and releases the Agent and the Banks and their respective officers, attorneys, agents and employees from any liability, suit, damage, claim, loss or expense of any kind or failure whatsoever and howsoever arising that it ever had up until, or has as of, the date of this Agreement.

(d) This Agreement constitutes the entire agreement of

the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings and agreements.

(e) In the event any provisions of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

(f) This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

(g) This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns and may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(h) The headings used in this Agreement are for convenience of reference only, do not form a part of this Agreement and shall not affect in any way the meaning or interpretation of this Agreement.

(i) This Agreement may be executed in one or more counterparts, each of which counterparts when executed and delivered shall be deemed to be an original, and all of which shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other electronic transmission will be effective as delivery of a manually executed counterpart hereof.

[signature pages follow]

IN WITNESS WHEREOF, the Borrower, the Agent and the Banks have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

AQUA PENNSYLVANIA, INC.

By:	/s/ Daniel J. Schuller
Name:	Daniel J. Schuller
Title:	Executive Vice President and Chief Financial Officer

PNC BANK, NATIONAL ASSOCIATION,
as Agent and as a Bank

By:	/s/ Domenic D'Ginto
Name:	Domenic D'Ginto
Title:	Senior Vice President

CITIZENS BANK OF PENNSYLVANIA,
as a Bank

By:	/s/ Hassan Shakeel
Name:	Hassan Shakeel
Title:	Vice President

TD BANK, N.A., as a Bank

By:	/s/ Jennifer L. Suspenski
Name:	Jennifer L. Suspenski
Title:	Vice President

THE HUNTINGTON NATIONAL BANK,
as a Bank

By:	/s/ Michael Kiss
Name:	Michael Kiss
Title:	Vice President

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Section 7: EX-21.1 (EX-21.1)

Exhibit 21.1

AQUA AMERICA, INC. AND SUBSIDIARIES

The following table lists the significant subsidiaries and other active subsidiaries of Aqua America, Inc. at December 31, 2018:

Aqua Pennsylvania, Inc. (Pennsylvania)
Aqua Resources, Inc. (Delaware)
Aqua Services, Inc. (Pennsylvania)
Aqua Infrastructure, LLC (Pennsylvania)
Aqua Ohio, Inc. (Ohio)
Aqua Illinois, Inc. (Illinois)
Aqua New Jersey, Inc. (New Jersey)
Aqua North Carolina, Inc. (North Carolina)
Aqua Texas, Inc. (Texas)
Aqua Indiana, Inc. (Indiana)
Aqua Virginia, Inc. (Virginia)

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Section 8: EX-23.1 (EX-23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-219545, 333-223306), on Form S-4 (No. 333-202393), and on Form S-8 (Nos. 033-52557, 033-53689, 333-26613, 333-70859, 333-81085, 333-61768, 333-107673, 333-113502, 333-116776, 333-126042, 333-148206, 333-156047, 333-159897, and 333-181389) of Aqua America, Inc. of our report dated February 26, 2019 relating to the financial statements and financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PRICEWATERHOUSECOOPERS LLP

Philadelphia, Pennsylvania
February 26, 2019

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Section 9: EX-31.1 (EX-31.1)

Exhibit 31.1

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

I, Christopher H. Franklin, certify that:

1. I have reviewed this annual report on Form 10-K of Aqua America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material

fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christopher H. Franklin

Christopher H. Franklin
Chairman, President and Chief Executive Officer
February 26, 2019

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Section 10: EX-31.2 (EX-31.2)

Exhibit 31.2

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

I, Daniel J. Schuller, certify that:

1. I have reviewed this annual report on Form 10-K of Aqua America, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

\s\ Daniel J. Schuller

Daniel J. Schuller
Executive Vice President and Chief Financial Officer
February 26, 2019

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Section 11: EX-32.1 (EX-32.1)

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K for the year ended December 31, 2018 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher H. Franklin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Christopher H. Franklin

Christopher H. Franklin
Chairman, President and Chief Executive Officer
February 26, 2019

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Section 12: EX-32.2 (EX-32.2)

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K for the year ended December 31, 2018 of Aqua America, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel J. Schuller, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. Section 78m(a) or Section 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel J. Schuller

Daniel J. Schuller
Executive Vice President and Chief Financial Officer
February 26, 2019

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