

On behalf of Aqua New Jersey, Inc., we are pleased to provide this non-binding letter of intent which confirms the intention of Aqua New Jersey, Inc. ("Aqua") to acquire the Lakeshore Water Company ("Lakeshore"). Aqua New Jersey, Inc. is a subsidiary of Aqua America, Inc., one of the nation's largest investor owned water and wastewater companies.

A. System Components to be Acquired. The water system assets and franchise area to be acquired is that currently served by the Lakeshore Water Company, located in Harding Township, Morris County, New Jersey, including any easements and other appurtenances of the water system, and its approximately 97 water customer accounts.

B. Indication of Value and Form of Consideration. Aqua is pleased to offer Lakeshore a purchase price of \$97,000,000 contingent upon a satisfactory asset purchase agreement being reached between the parties. Aqua's acquisition of Lakeshore's assets will be a cash transaction specified in a formal asset purchase agreement to be provided by Aqua.

C. Other Issues.

1. In good faith, Lakeshore will provide Aqua with all available system information and documents as may be available to complete the transaction, operate the system, and document knowledge of system appurtenances.

Dear Austin:

RE: Letter of Intent
Proposed Acquisition of Lakeshore Water Company

Austin Godfrey
President
Lakeshore Water Company
3 Trails End
Morristown, NJ 07960

August 24, 2012

Aqua New Jersey, Inc.
10 Black Forest Road
Hamilton, NJ 08691

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It is understood by both parties that the closing cannot take place until the proposed acquisition is approved by the appropriate regulatory agencies and local franchise authorities.

2.

Aqua and Lakeshore will jointly petition the appropriate regulatory agencies and franchise authorities to approve the transaction.

3.

Aqua and Lakeshore will jointly petition the New Jersey Department of Environmental Protection for the preservation of Lakeshore's existing well allocation permits and diversion rights. It is understood by the parties that Aqua's offer to purchase Lakeshore is contingent upon the successful preservation of Lakeshore's existing well allocation permits and diversion rights with the New Jersey Department of Environmental Protection.

4.

Aqua and Lakeshore will work together cooperatively to facilitate all approvals necessary to close this transaction in a timely manner. This letter does not constitute an agreement of sale. Rather, we will have our legal counsel prepare the definitive agreement and related documents reflecting our full understanding and containing such terms and conditions which are normal, usual and appropriate for an asset purchase agreement including a listing of assets to be acquired and representations and warranties from Lakeshore regarding due authorization, title to and condition of assets and regulatory compliance, as well as indemnification provisions and closing conditions.

5.

The definitive agreement will be subject to our mutual approval. The definitive agreement will be subject to our receipt of all required approvals from regulatory agencies to enable Aqua to assume the ownership and operation of the water system and to provide water service to the public in the areas presently being served by Lakeshore. The closing will be held as soon as practicable after all of the required approvals have been received.


Aqua shall be responsible for its own legal fees and other expenses incurred in connection with this transaction. Lakeshore shall be responsible for its own legal fees and other expenses incurred in connection with this transaction.

In consideration of the substantial expenditures of time, effort and expenses to be undertaken by Aqua in preparing the necessary acquisition documents and conducting various due diligence, if we agree to go forward on the basis of this Letter of Intent, Lakeshore agrees that it will not enter into or conduct any discussions with any other prospective purchaser of the assets of Lakeshore and that you will cause Lakeshore to use its best efforts to preserve intact its business operations, service area, and the goodwill of its customers and others having business relations with it until the closing date of this transaction.

By: _____
 Name: _____
 Date: _____

Lakeshore Water Company
 Austin Godfrey, President

CONFIRMED AND AGREED:

AQUA NEW JERSEY, INC.

 William B. Davis
 President

Sincerely,

This letter assumes that Lakeshore has not entered into any agreement or understanding with any other person or entity which would be interfered with by the transaction contemplated herein.

This letter is only intended as a general outline of our proposal and is not an offer to acquire Lakeshore; such an offer to be made only in the form of a definitive agreement after we have reached agreement on all the terms and conditions of the transaction.

We look forward to working with you to complete this transaction. If you concur with this letter, please so indicate by signing this letter and returning the original to us as soon as possible. If there are any questions, please contact Scott Mitchell, Director of Corporate Development, Aqua New Jersey, Inc., at 609-587-5406.