

**AQUA**  
ILLINOIS  
**OFFICIAL FILE**  
**ILLINOIS COMMERCE COMMISSION**

**ORIGINAL**

Aqua Illinois, Inc.  
P.O. Box 152  
1000 South Schuyler Avenue  
Kankakee, IL 60901

T: 815.935.8800  
F: 815.935.8809  
www.aquaininois.com

April 4, 2014

Elizabeth A. Rolando  
Chief Clerk  
Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, Illinois 62701

Re: Docket Nos. 13-0646 and 13-0647 (Cons.) – Bond Refinancing #6662

Dear Ms. Rolando:

Per the recommendations of the Commission and the findings in paragraphs 4 through 10 of the Order in Docket Nos. 13-0646 and 13-0647 (Cons.), Aqua Illinois, Inc. has enclosed copies of the following documents:

1. Executed Note #6662 with Aqua America, Inc.
2. Financial Services Agreement with Aqua America, Inc.
3. "Report" setting forth applicable information with respect to the actual issuances.
4. Comparison of the issuance costs of indebtedness.

If you have any further questions, I can be reached at (815) 614-2033.

Sincerely,



Paul Hanley  
Controller  
Aqua Illinois, Inc.

ILLINOIS COMMERCE  
COMMISSION  
2014 APR - 7 A 9:55  
CHIEF CLERK'S OFFICE

AQUA ILLINOIS, INC.

No. 6662

January 31, 2014

\$6,500,000.00

FOR EQUAL VALUE RECEIVED, the undersigned, Aqua Illinois, Inc. (the "Company"), a corporation organized and existing under the laws of the State of Illinois, hereby promises to pay to Aqua America, Inc. or registered assigns (the "Holder"), the principal sum of SIX MILLION FIVE HUNDRED THOUSAND DOLLARS (\$6,500,000.00), together with interest (computed on the basis of a 360 day year of twelve 30-day months) on the unpaid balance thereof at the rate per annum from the date hereof as noted on Exhibit A. Interest shall accrue and be due and payable on a monthly basis as noted on Exhibit A, provided, however, that the Company shall have the option, but not an obligation, to prepay accrued interest as and when the Company in its sole and absolute discretion deems such payment desirable.

Payments of principal of and interest on this Note are to be made in lawful money of the United States of America at the principal office of the Holder in Bryn Mawr, Pennsylvania or at such other place as the Holder shall have designated by written notice to the Company.

The Company represents that (a) it has full power and authority, not restricted by any law or governmental regulation, to execute and deliver this Note and to perform hereunder; (b) this Note evidences its valid and legally binding obligation, enforceable in accordance with its terms; and (c) its execution, delivery and performance of this Note do not and will not contravene any bylaw or contractual restriction binding on or affecting it.

This Note is subject to optional prepayment, in whole or in part, from time to time, at a redemption price of 100% of the principal amount prepaid, plus accrued interest thereon. Prepayments of this Note shall be noted on Exhibit B attached hereto and made a part hereof.

This Note may not be changed or modified orally, nor any right or provision hereof be waived orally, but in each instance only by an instrument in writing signed by the party against which enforcement of such change, modification or waiver is sought.

If any provisions hereof shall, for any reason and to any extent, be invalid or unenforceable, then the remainder of the document or instrument in which such provision is contained, and this Note shall not be affected thereby but, instead, shall be enforceable to the maximum extent permitted by law.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the Commonwealth of Pennsylvania excluding choice-of-law principles of the law of such Commonwealth that would require the application of the laws of a jurisdiction other than such Commonwealth.

IN WITNESS WHEREOF, the undersigned has executed this Note as of the day and year first above written.

ATTEST:

AQUA AMERICA, INC.

By: Maria Gordiany  
(Assistant) Secretary

By: Diana Moy Kelly  
Name: Diana Moy Kelly  
Title: Treasurer

ATTEST:

AQUA ILLINOIS, INC.

By: Maria Gordiany

By: Terry Rakocy  
Name: Terry Rakocy  
Title: President

**AQUA ILLINOIS, INC.**

**EXHIBIT A**

**LONG TERM DEBT SCHEDULE**

<u>Structure</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
Senior Unsecured Notes	5.22%	06/24/10	06/24/28	1,555,450
Senior Unsecured Notes	3.57%	06/14/12	06/14/27	<u>4,944,550</u>
Total				6,500,000



**AMENDMENT TO AQUA ILLINOIS, INC. NOTE**

This Amendment, dated as of March 31, 2014, is attached to and made part of the following instrument:

Promissory Note dated January 31, 2014, by Aqua Illinois, Inc., an Illinois corporation, in favor of Aqua America, Inc., a Pennsylvania corporation, in the original principal sum of \$6,500,000.00.

The undersigned parties hereby confirm that the principal amount of the above-referenced Promissory Note has been increased by \$16,575,000.00.

ATTEST:

AQUA ILLINOIS, INC.

By: Maria Gordiany  
(Assistant) Secretary

By: Terry J. Rakocy  
Name: TERRY J. RAKOCY  
Title: PRESIDENT

ATTEST:

AQUA AMERICA, INC.

By: Maria Gordiany  
(Assistant) Secretary

By: Diana Moy Kelly  
Name: Diana Moy Kelly  
Title: Treasurer

**AQUA ILLINOIS, INC.**  
**AMENDMENT TO PROMISSORY NOTE**  
**3/31/14**

Structure	Interest Rate	Issue Date	Maturity Date	Amount
Senior Unsecured Notes	5.22%	06/24/10	06/24/28	3,960,000
Senior Unsecured Notes	3.57%	06/14/12	06/14/27	<u>12,615,000</u>
				16,575,000

## FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of January 30, 2014, by and between Aqua Illinois, Inc. (the "Company") and Aqua America, Inc. ("Aqua America").

### B A C K G R O U N D

The parties have determined to enter into this Agreement for the provision of financial services by Aqua America to the Company and for the proper determination and allocation of the costs of providing such services.

Therefore, the parties agree as follows:

### A G R E E M E N T

1. Services. Aqua America will provide such financial services as the Company and Aqua America may from time to time agree, including but not limited to those more fully described in Appendix I attached to this Agreement.

2. Costs. In consideration of the provision of the services contemplated by paragraph 1, the Company agrees to pay Aqua America a portion of the costs incurred by Aqua America in providing those services, as follows. The costs incurred by Aqua America in connection with each long-term borrowing by Aqua America will be divided among each Aqua subsidiary in proportion to the principal amount of that borrowing that is loaned to that Aqua subsidiary.

3. Statements. Aqua America will provide to the Company monthly accounting entries of the amounts payable to Aqua America, giving effect to all the provisions of this Agreement.

4. Inspection. Upon reasonable notice, Aqua America will make available to the Company for its inspection Aqua America's books, record, bills, accounts and any other documents which describe or support the costs allocated to the Company under this Agreement.

5. Obligations Not Joint. Aqua America and the Company expressly agree: (a) that the obligations of the Company and each Aqua subsidiary to Aqua America are several and not joint; (b) that the Company will not be responsible to any Aqua subsidiary, to Aqua America or to any assignee or creditor of Aqua America for any payment in excess of payments due by the Company to Aqua America under this Agreement or a Note in the form attached to this

Agreement; and (c) that no Aqua subsidiary will be responsible to the Company, to any other Aqua subsidiary, to Aqua America or to any assignee or creditor of Aqua America for any payment in excess of payments due by that Aqua subsidiary to Aqua America under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. Aqua America covenants and agrees that it will require, as a condition to its entering into any such other agreement with an Aqua subsidiary, that such other agreement contains the same provision as that contained in the immediately preceding sentence.

6. Notes. The Company's borrowings under this Agreement will be evidenced by one or more promissory note in the form of Exhibit A attached to this Agreement.

7. Non-Exclusivity. Nothing in this Agreement prohibits or restricts the Company from borrowing from third parties on whatever terms it deems appropriate.

8. Effectiveness. This Agreement shall be effective as of January 30, 2014, provided that, if prior approval by the regulatory commission of any jurisdiction is required before this Agreement may become effective as to the Company, or before Aqua America may provide a particular service hereunder to the Company, this Agreement shall not be effective as to the Company or as to that service, as the case may be, unless and until the required approval has been obtained. Unless and until this Agreement becomes effective as to the Company in whole or in part, the Company shall not be entitled to the benefits of, nor shall it have any rights or duties under, this Agreement. This Agreement may be amended or rescinded only by written instrument signed by the Company and Aqua America.

9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to Aqua America; and (a) Aqua America may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement will not affect: (a) the Company's obligations under any Promissory Notes; (b) any party's obligations with respect to any amounts owing under Sections 2 and 3 of this Agreement (including such amounts attributable to obligations of any terminating party under any Promissory Notes that remain outstanding after this Agreement is terminated as to that party).

10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

Set forth below is a list of the services which Aqua America agrees to provide to the Company upon its request pursuant to the Agreement to which this Appendix is attached.

1. Long-Term Borrowings. Aqua America will provide loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to Aqua America, each substantially in the form attached hereto as Exhibit A.

In witness of the foregoing, each of the Company and Aqua America has caused its respective corporate seal to be affixed to this Agreement and has caused this Agreement to be signed on its behalf by its duly authorized officers.

ATTEST:

AQUA ILLINOIS, INC.

By: Maria Gordiany  
Name and Title: Secretary

By: Therese Polacy, PRESIDENT  
Name and Title:

ATTEST:

AQUA AMERICA, INC.

By: Maria Gordiany  
Name and Title: Secretary

By: Christopher T. [Signature]  
Name and Title:

Aqua Illinois, Inc.  
Debt Refinancing  
3/31/2014

<b>Existing Illinois Debt</b>	Interest Rate	Issue Date	Maturity Date	Principal Amount	Weighted Principal	Weighted Maturity
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Tax Exempt	5.40%	9/1/2007	9/1/2030	4,370,000	18.94%	197
Tax Exempt	4.90%	11/1/2009	11/1/2032	2,640,000	11.44%	223
Tax Exempt	5.00%	11/1/2009	11/1/2032	9,565,000	41.45%	223
FMB	5.20%	12/15/2003	2/1/2014	6,500,000	28.17%	0
<b>Total</b>	<u>5.12%</u>			<u>23,075,000</u>	<u>100.00%</u>	<u>155</u> months

<b>Proposed Debt</b>	Interest Rate	Issue Date	Maturity Date	Principal Amount	Weighted Principal	Weighted Maturity
(a)	(b)	(c)	(d)	(e)	(f)	(g)
Unsecured Note	5.22%	6/24/2010	6/24/2028	5,515,450	23.90%	173
Unsecured Note	3.57%	6/14/2012	6/14/2027	17,559,550	76.10%	161
<b>Total</b>	<u>3.964%</u>			<u>23,075,000</u>	<u>100.00%</u>	<u>164</u> months

Per 83 Ill. Admin. Code 240:

- A. See second chart above column (e) showing principal amounts of the new issuances
- B. See second chart above showing the terms of the new issuances
- C. See chart "Comparison of Push down versus new issuance cost" showing the \$111,886 of expenses incurred.
- D. The purpose of the proceeds will be to refinance existing long term debt obligations.

Aqua Illinois, Inc.  
 Comparison of Push down versus new issuance cost  
 \$23,075,000  
 3/31/2014

	<u>New Issue</u>	<u>Push down</u>
Placement agent	150,000	0
Legal	175,000	20,000
Allocated pushdown iss exp	<u>0</u>	<u>91,886</u>
Total issuance exp	<u><u>325,000</u></u>	<u><u>111,886</u></u>
amortization period in years	14	14
annual amortization exp	23,214	7,992
annual amortization exp in bps	0.10%	0.03%
Estimated coupon	4.34%	3.96%
All-in cost	4.44%	3.99%
15 yr T on 1/22/14	3.09%	
spread	<u>1.25%</u>	
coupon	4.34%	