

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 21 2006

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)

APPLICATION OF KENTUCKY-AMERICAN)
WATER COMPANY FOR CONTINUED)
PARTICIPATION WITH AMERICAN WATER)
CAPITAL CORP.)

CASE NO. 2006-00418

APPLICATION OF KENTUCKY-AMERICAN WATER COMPANY

Comes Kentucky-American Water Company ("Kentucky American Water") and for its Application for approval of continued participation in the borrowing program with American Water Capital Corp. states as follows:

1. Kentucky American Water is a corporation organized and existing under the laws of the Commonwealth of Kentucky with its principal office and place of business at 2300 Richmond Road, Lexington, Kentucky 40502.

2. Kentucky American Water is a wholly-owned subsidiary of American Water Works Company, Inc. ("American Water") and is engaged in the distribution and sale of water in its Central Division, consisting of Bourbon, Clark, Fayette, Harrison, Jessamine, Scott and Woodford Counties and its Northern Division consisting of Gallatin, Owen and Grant Counties. It currently owns, operates and maintains potable water production, treatment, storage, transmission and distribution systems for the purpose of furnishing potable water for residential, commercial, industrial and governmental users in its service territory having an original cost of \$313,554,174.27 as of August 25, 2006.

3. Kentucky American Water also owns, operates and maintains collection, pumping and treatment systems for the purpose of furnishing wastewater service for residential, commercial, industrial and governmental users in its service territory having an original cost of \$3,464,866.15 as of August 25, 2006.

4. A certified copy of the Articles of Incorporation of Kentucky American Water, together with all amendments thereto, are incorporated herein by reference as authorized by 807 KAR 5:001, Section 10, (1), (b), (3) and Section 8, (3), and were filed as Filing Exhibit No. 4 in Case No. 95-554, Notice of the Adjustment of the Rates of Kentucky-American Water Company effective on and after February 29, 1996.

5. By Order dated July 21, 2000, in Case No. 2000-189, the Application of Kentucky-American Water Company for Approval of Participation in Borrowing Program, the Public Service Commission of the Commonwealth of Kentucky authorized Kentucky American Water to enter into a Financial Services Agreement with American Water Capital Corp. and to participate in its borrowing program. A copy of the Financial Services Agreement entered into is attached hereto as Exhibit No. 1. A copy of the Order dated July 21, 2000, is attached hereto as Exhibit No. 2.

6. The Order dated July 21, 2000, also authorized Kentucky American Water to issue securities in the form of notes or debentures in an aggregate amount of \$41,500,000 from time to time prior to December 31, 2005, for the purpose of refunding/refinancing existing short-term and long-term debt. Pursuant to that authorization, including some long-term debt issued by Kentucky American Water with Commission approval prior to Case No. 2000-189, Kentucky American Water now has stock and debt outstanding as shown on the financial exhibit attached hereto, marked Exhibit No. 3, as required by 807 KAR 5:001, Section 11, (2), (a).

7. Kentucky American Water has conveyed certain property, lands and premises described therein to First Union National Bank (formerly First Fidelity Bank, National Association, formerly First Federal Bank, N.A., Pennsylvania, formerly Fidelity Bank, National Association, and formerly The Fidelity Bank) to secure payment of the bonds and indebtedness therein specified by an Indenture of Mortgage dated as of May 1, 1968; First Supplemental Indenture dated as of December 1, 1970; a Supplement to the First Supplemental Indenture dated as of December 17, 1970; Second Supplemental Indenture dated as of September 1, 1974; Third Supplemental Indenture dated as of November 1, 1977; Fourth Supplemental Indenture dated as of December 1, 1982; Fifth Supplemental Indenture dated as of June 1, 1983; Sixth Supplemental Indenture dated as of August 1, 1985; Seventh Supplemental Indenture dated as of January 1, 1987; Eighth Supplemental Indenture dated as of September 1, 1988; Ninth Supplemental Indenture dated as of October 1, 1999; Tenth Supplemental Indenture dated as of November 1, 1990; Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990; Eleventh Supplemental Indenture dated as of December 1, 1991; Twelfth Supplemental Indenture dated as of December 1, 1992; Thirteenth Supplemental Indenture dated as of December 1, 1993; Fourteenth Supplemental Indenture dated as of September 1, 1995; Fifteenth Supplemental Indenture dated as of February 1, 1997, and Sixteenth Supplemental Indenture dated as of June 1, 1998. The Indenture of Mortgage and Supplements are attached hereto and collectively marked Exhibit No. 4.

8. American Water Capital Corp. is a wholly-owned subsidiary of American Water and is a corporation organized under the laws of the state of Delaware. It has obtained funds from a syndicated bank credit line for short-term loans and from its own debt securities, all with

the support of RWE Aktiengesellschaft (“RWE”). A copy of the Certificate of Incorporation of American Water Capital Corp. is attached hereto and marked Exhibit No. 5.

9. As Exhibit No. 3 shows, as of December 31, 2005, Kentucky American Water had outstanding short-term debt in the amount of \$9,307,934 payable to American Water Capital Corp. and six long-term debt issues: (1) 6.960% series in the amount of \$7,000,000 due December 1, 2023; (2) 7.150% series in the amount of \$7,500,000 due February 1, 2027; (3) 6.990% series in the amount of \$9,000,000 due June 1, 2028; (4) 5.650% series in the amount of \$24,000,000 due June 12, 2007; (5) 6.870% series in the amount of \$15,500,000 due March 29, 2011, and (6) 4.750% series in the amount of \$14,000,000 due March 1, 2014.

10. Kentucky American Water’s short-term debt has been made available through American Water Capital Corp. with the support of RWE. RWE has decided to divest itself of the ownership of the common stock of American Water.¹ RWE has expressed its intention, upon securing the regulatory approvals for the sale of the common stock of American Water, to terminate its support to American Water Capital Corp. and call its notes which support the short-term debt, and both the 4.750% series and the 5.650% series long-term indebtedness of Kentucky American Water.

11. American Water Capital Corp. has recently closed on a five year \$800,000,000 revolving credit facility which will serve as a back-up facility to its commercial paper (“CP”) program. American Water Capital Corp. expects to begin issuing CP in the near future to fund the short-term debt of its operating subsidiaries. This new CP program is expected to have average outstanding borrowing of approximately \$450,000,000 with maturities between one day

¹ Case No. 2006-00197, the Joint Petition of Kentucky-American Water Company, Thames Water Aqua Holdings GmbH, RWE Aktiengesellschaft, Thames Water Aqua U.S. Holdings, Inc. and American Water Works Company, Inc. for Approval of a Change in Control of Kentucky-American Water Company, pending before the Public Service Commission of the Commonwealth of Kentucky.

and 90 days. The new short-term borrowing program will result in approximately \$158,000 in savings per year to American Water Capital Corp. when compared to the current arrangement.

12. Prior to December 31, 2007, Kentucky American Water anticipates additional short-term debt borrowings; the refinancing of the 5.650% series of its existing long-term debt and the refinancing of its 4.750% series long-term debt. It is anticipated that the two long-term debt refinancings will occur in May 2007 by the issuance of \$41,100,000 of new debt. In addition, prior to December 2007, Kentucky American Water anticipates the issuance of \$12,000,000 additional long-term debt in November 2006 and \$8,400,000 in September 2007. These additional long-term debt issuances will be required to reduce short-term debt at the time of their issuance. In order to continue to maintain a reasonable relationship of long-term debt to common equity, Kentucky American Water anticipates the issuances of \$8,000,000 in capital in November 2006 and \$5,600,000 in capital in September 2007.

13. The maturity of these long-term issues will not be more than 50 years from the nominal date of issue, with the expectation that the maturity dates can be anywhere from one to 35 years, depending upon market conditions. The interest rate will be determined by market conditions at the time of issuance. The interest will be payable at the same time and on the same dates as American Water Capital Corp. must pay its corresponding interest payment on the borrowings from which the proceeds of the loans to Kentucky American Water were derived. This is expected to be monthly, quarterly or semiannually and is subject to final negotiation. These obligations will be unsecured and will therefore rank on parity with Kentucky American Water's unsecured creditors and will not have the benefit of any security afforded by Kentucky American Water's General Mortgage Indenture. These securities evidencing the long-term indebtedness will have the same callability and conversion features as American Water Capital

Corp. obtains in connection with its borrowings from which the proceeds of a loan to Kentucky American Water are derived. These may include provisions for the redemption at the option of American Water Capital Corp. or tender at the option of the purchaser as may be negotiated with the agent or purchasers of the securities evidencing the indebtedness. The securities will have no conversion features. There will be no maintenance and depreciation requirements unless the borrowings are made on a tax-free basis; such provisions are usually then required. The securities will reflect whatever sinking or other fund provision requirements American Water Capital Corp. can obtain from its lenders; however, it is not expected that there will be any sinking or other fund provisions.

14. Kentucky American Water seeks approval for its continued participation in this borrowing program so that it may obtain the funding it needs prior to December 2007 at less cost than would be otherwise available and so that it may be assured of readily available source of funds.

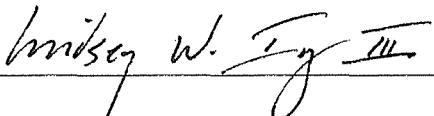
15. Kentucky American Water's participation in the borrowing program of American Water Capital Corp. does not preclude it from either borrowing from or obtaining financial services from third parties. Kentucky American Water is not required to borrow any amount from American Water Capital Corp. and it may terminate its participation in the program upon adequate notice.

16. Kentucky American Water's continued participation with American Water Capital Corp. is for a lawful object within the corporate purposes of Kentucky American Water. Its participation is necessary and appropriate for and consistent with the proper performance by Kentucky American Water of its services and will not impair its ability to perform services and is reasonably necessary and appropriate for such purposes.

WHEREFORE, Kentucky American Water requests that the Commission, pursuant to the authority contained in KRS 278.300, authorize its continued participation in the borrowing program of American Water Capital Corp.

Respectfully submitted,

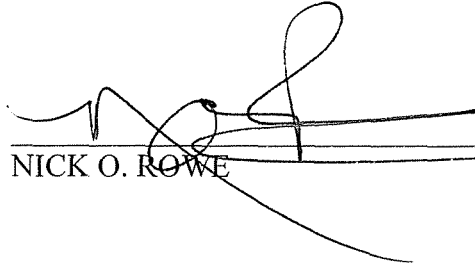
LINDSEY W. INGRAM, JR.
LINDSEY W. INGRAM III
STOLL KEENON OGDEN PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: 859-231-3000

BY: 
ATTORNEYS FOR KENTUCKY-AMERICAN
WATER COMPANY

COMMONWEALTH OF KENTUCKY)

COUNTY OF FAYETTE)

After having been duly sworn, Nick O. Rowe states that he is President of Kentucky-American Water Company, that he has knowledge of the matters set forth in this Application, that he has been designated by Kentucky-American Water Company to sign and file the Application on its behalf, and that he has read the Application and that the statements contained therein are true.



NICK O. ROWE

Subscribed and sworn to before me by Nick O. Rowe this the 19th day of September, 2006.

My Commission expires: 6-28-09



NOTARY PUBLIC, STATE AT LARGE, KY.

LEX 990010/880010/3458002.1

FINANCIAL SERVICES AGREEMENT

THIS AGREEMENT, dated as of June 15, 2000, by and between Kentucky-American Water Company (the "Company") and American Water Capital Corp. ("AWCC").

B A C K G R O U N D

The Company currently performs its own financial services.

However, the Company has determined that it can obtain these services more efficiently through the consolidation of certain necessary management and staff functions with those performed for other entities that may enter into agreement with AWCC substantially similar to this one ("Co-Participants").

AWCC is dedicated to performing such consolidated functions.

Accordingly, the parties have determined to enter into this Agreement for the provision of financial services by AWCC 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. AWCC will provide, either directly or through arrangements with third parties for the benefit of the Company, such financial services as the Company and AWCC 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 AWCC a portion of the costs and appropriate overhead incurred by AWCC in providing those services, as follows. The costs incurred by AWCC in connection with its bank credit lines and short-term public borrowings will be divided among the Co-Participants in proportion to the maximum principal amount that each Co-Participant requests be made available to it during the course of a year. The costs incurred by AWCC in connection with each long-term borrowing by AWCC will be divided among each Co-Participant in proportion to the principal amount of that borrowing that is loaned to that Co-Participant. AWCC's overhead will be allocated among the Co-Participants in the same proportion as each Co-Participant's long-term and maximum, requested short-term borrowings and investments in a calendar year bear to all of the long and maximum short-term borrowings and investments by all Co-Participants during the same year.

3. Statements. AWCC will prepare and deliver to the Company monthly statements of the services provided by AWCC and amounts payable to AWCC, giving effect to

all the provisions of this Agreement. The Company shall pay the net amount shown on its statement within thirty (30) days after the billing date.

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

5. Obligations Not Joint. AWCC and the Company expressly agree: (a) that the obligations of the Company and each Co-Participant to AWCC are several and not joint; (b) that the Company will not be responsible to any Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by the Company to AWCC under this Agreement or a Note in the form attached to this Agreement; and (c) that no Co-Participant will be responsible to the Company, to any other Co-Participant, to AWCC or to any assignee or creditor of AWCC for any payment in excess of payments due by that Co-Participant to AWCC under any agreement substantially similar to this Agreement or under any Note attached to that other agreement. AWCC covenants and agrees that it will require, as a condition to its entering into any such other agreement with a Co-Participant, 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 notes in the form of Exhibit A or Exhibit B attached to this Agreement.

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

8. Effectiveness. This Agreement shall be effective as of June 15, 2000, 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 AWCC 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 AWCC.

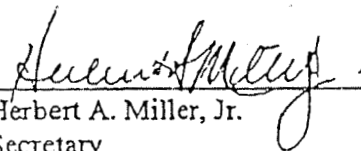
9. Termination. The Company may terminate its participation in this Agreement by giving ten (10) days prior written notice of such termination to AWCC; and (b) AWCC may terminate this Agreement by giving ninety (90) days prior written notice of such termination to the Company. Termination of this Agreement 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); or (c) AWCC's obligations to repay any investments made by a Company pursuant to Appendix I.

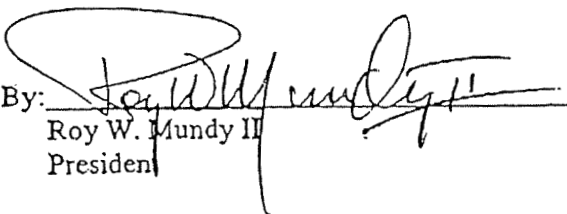
10. Copies. This Agreement may be executed by the parties in one or more copies and each executed copy shall be considered an original.

In witness of the foregoing, each of the Company and AWCC 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:

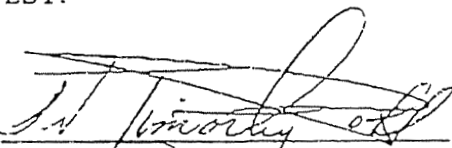
KENTUCKY-AMERICAN WATER COMPANY


By: 
Herbert A. Miller, Jr.
Secretary

By: 
Roy W. Mundy II
President

ATTEST:

AMERICAN WATER CAPITAL CORP.

By: 
Title: W. Timothy Pohl
Vice President and Secretary

By: 
Name and Title: Joseph F. Hartnett, Jr.
Vice President and Treasurer

APPENDIX I

DESCRIPTION OF FINANCIAL SERVICES

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

1. Short-Term Loans. AWCC will provide Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached to this Agreement as Exhibit A.

2. Long-Term Borrowings. AWCC will provide loans other than Short-Term Loans to the Company pursuant to the terms set forth in the promissory notes to be issued by the Company to AWCC, each substantially in the form attached hereto as Exhibit B.

3. Cash Management. Cash not required by the Company to pay its daily disbursements or to pay when due the principal of and interest on, the Company's borrowings from AWCC other than Short-Term Loans will be used by AWCC first to reduce the outstanding principal balance of the Company's Short-Term Loans owing to AWCC and any excess will be deemed to be invested with AWCC and will earn a daily rate of interest that is equal to the interest income earned by AWCC on those funds. Upon the request of that Company, AWCC shall execute one or more promissory notes in favor of the Company, in form and substance substantially similar to the Promissory Note attached as Exhibit A to the Agreement as evidence of such investment.

EXHIBIT A
PROMISSORY NOTE
FOR SHORT-TERM LOANS

\$ _____, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a _____ corporation (herein "Borrower") hereby promises to pay ON DEMAND to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at Voorhees, New Jersey or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$ _____) (the "Maximum Principal Sum"), or such lesser amount as shall equal the aggregate unpaid principal amount of the loans made by Lender to Borrower (other than loans evidenced by a promissory note under which the principal amount is due and payable in one or more scheduled installments more than one year after the date of its issue), together with interest thereon from the date hereof until paid in full. Interest will be charged on the unpaid outstanding principal balance of this Note at a rate per annum equal to Lender's actual cost of funds to make such loan, such rate to change as Lender's actual cost of funds changes. Interest on borrowings shall be due and payable on the first business day of each month, commencing with the first business day of the month after the month in which this Note is executed. In the absence of manifest error, the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

Borrower may borrow, repay and reborrow hereunder in amounts which do not, in the aggregate outstanding at any time, exceed the Maximum Principal Sum.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of

Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of the parties hereto.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: _____
Name and Title:

EXHIBIT B
PROMISSORY NOTE
FOR LONG-TERM BORROWINGS

\$ _____, 2000

FOR VALUE RECEIVED, [NAME OF COMPANY], a _____ corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at _____ or such other place as Lender may from time to time designate, the principal sum of _____ dollars (\$ _____), together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

The occurrence of one or more of any of the following shall constitute an event of default hereunder:

(a) Borrower shall fail to make any payment of principal and/or interest due hereunder or under any other promissory note between Lender and Borrower within five business days after the same shall become due and payable, whether at maturity or by acceleration or otherwise;

(b) Borrower shall apply for or consent to the appointment of a receiver, trustee or liquidator of itself or any of its property, admit in writing its inability to pay its debts as they mature, make a general assignment for the benefit of creditors, be adjudicated a bankrupt or insolvent or file a voluntary petition in bankruptcy or a petition or an answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation of law or statute, or an answer admitting the material allegations of a petition filed against it in any proceeding under any such law, or if action shall be taken by Borrower for the purposes of effecting any of the foregoing; or

(c) Any order, judgment or decree shall be entered by any court of competent jurisdiction, approving a petition seeking reorganization of Borrower or all or a substantial part of the assets of Borrower, or appointing a receiver, trustee or liquidator of Borrower or any of its property, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) days.

Upon the occurrence of any event of default, the entire unpaid principal sum hereunder plus all interest accrued thereon plus all other sums due and payable to Lender hereunder shall, at the option of Lender, become due and payable immediately. In addition to the foregoing, upon the occurrence of any event of default, Lender may forthwith exercise singly, concurrently, successively or otherwise any and all rights and remedies available to Lender by law, equity, statute or otherwise.

Borrower hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor in connection with any default in the payment of, or any enforcement of the payment of, all amounts due hereunder. To the extent permitted by law, Borrower waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect.

Following the occurrence of any event of default, Borrower will pay upon demand all costs and expenses (including all amounts paid to attorneys, accountants, and other advisors employed by Lender), incurred by Lender in the exercise of any of its rights, remedies or powers hereunder with respect to such event of default, and any amount thereof not paid promptly following demand therefor shall be added to the principal sum hereunder and will bear interest at the contract rate set forth herein from the date of such demand until paid in full. In connection with and as part of the foregoing, in the event that this Note is placed in the hands of an attorney for the collection of any sum payable hereunder, Borrower agrees to pay reasonable attorneys' fees for the collection of the amount being claimed hereunder, as well as all costs, disbursements and allowances provided by law.

If for any reason one or more of the provisions of this Note or their application to any entity or circumstances shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

This Note inures to the benefit of Lender and binds Borrower and Lender's and Borrower's respective successors and assigns, and the words "Lender" and "Borrower" whenever occurring herein shall be deemed and construed to include such respective successors and assigns.

This Promissory Note is one of the promissory notes referred to in the Financial Services Agreement dated as of June 15, 2000 between Borrower and Lender to which reference is made for a statement of additional rights and obligations of Lender and Borrower.

IN WITNESS WHEREOF, Borrower has executed this Promissory Note the day and year first written above.

[BORROWER]

By: _____
Name and Title:

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF)	
KENTUCKY-AMERICAN WATER)	
COMPANY FOR APPROVAL OF)	CASE NO. 2000-189
PARTICIPATION IN)	
BORROWING PROGRAM)	

O R D E R

On May 5, 2000, Kentucky-American Water Company ("Kentucky-American") filed an application for Commission approval to participate in a borrowing program. This program has been made available to Kentucky-American through its parent corporation, American Water Works Company, Inc. ("American Water Works"). As a participant in the program, Kentucky-American must enter into a Financial Services Agreement with American Water Works Financing Corporation. On May 12, 2000, Kentucky-American amended its application to reflect the change in the name of American Water Works Financing Corporation to American Water Capital Corporation ("AWCC").

Kentucky-American seeks to enter into this agreement in conjunction with each of American Water Works' subsidiaries as well as American Water Works. It is anticipated that AWCC could obtain more advantageous funding for the individual participants by utilizing the borrowing power and combined borrowing efficiency of all of the participants in the borrowing program.

AWCC, a wholly owned subsidiary of American Water Works, will obtain its funds primarily from two sources. It will arrange for a syndicated bank credit line to provide short-term loans and it will register its own debt securities for sale in the public market by filing a shelf registration with the United States Securities and Exchange Commission. Based on estimated borrowing requirements provided by each program participant for the coming year as well as future needs, AWCC will arrange borrowing commitments and borrowing programs to provide funds necessary to meet those requirements.¹

As a participant in the borrowing program, Kentucky-American will obtain short-term and long-term loans from AWCC. Kentucky-American expects to periodically issue, prior to December 31, 2005, securities in the form of notes or debentures for the purpose of refunding/refinancing certain outstanding debt in the aggregate principal amount of \$41,500,000. Kentucky-American also intends to borrow funds from AWCC to finance its construction program and the acquisition of other utility systems.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that:

1. Kentucky-American's entry into the Financial Services Agreement and participation in the borrowing program with AWCC is for a lawful object within the corporate purposes of its utility operation, is necessary and appropriate for and consistent with the

¹ For a complete description of the financial arrangements between AWCC and the American Water Works subsidiaries who are parties to the Financial Services Agreement and who participate in the borrowing program and the benefits that these arrangements confer, see Illinois-American Water Company, Docket No. 00-0306 (Ill. C.C. May 18, 2000) at 2-5.

proper performance of the utility's service to the public and will not impair its ability to perform that service, and is reasonable, necessary, and appropriate for such purposes.

2. Kentucky-American's proposed issuance of securities in the form of notes or debentures in an aggregate amount of \$41,500,000 for the purpose of refunding/refinancing existing short-term and long-term debt is reasonable and consistent with the performance of its service to the public and should be approved.

3. The specific terms and conditions of each issuance under the borrowing program set forth in the Agreement are not known at this time. Therefore, Kentucky-American should be required to inform the Commission of the terms and conditions of each issuance covered by the borrowing program.

4. Kentucky-American should obtain Commission approval prior to the issuance of any security or long-term evidence of indebtedness not specifically set forth in its application and included in the \$41,500,000 refunding/refinancing.

IT IS THEREFORE ORDERED that:

1. Kentucky-American is authorized to enter into the Financial Services Agreement with AWCC and to participate in its borrowing program.

2. Kentucky-American is authorized to issue securities in the form of notes or debentures in an aggregate amount of \$41,500,000 from time to time prior to December 31, 2005 for the purpose of refunding/refinancing existing short-term and long-term debt.

3. The proceeds from the financing authorized herein shall be used only for the lawful purposes set out in the application.

4. For all securities or evidences of indebtedness that have a term exceeding 2 years and that are issued under the Financial Services Agreement's borrowing program, Kentucky-American shall file a report detailing the terms and conditions of the particular securities issued. Kentucky-American shall include an analysis showing that the interest rate for the securities was the most reasonable under the circumstances at the time of issuance. This report shall be filed with the Commission within 10 days of the completion of the issuance.

5. Kentucky-American shall obtain approval from the Commission prior to the issuance of any security or long-term evidence of indebtedness not specifically identified in its application and included in the \$41,500,000 refunding/refinancing approved herein.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 21st day of July, 2000.

By the Commission

ATTEST:

W. H. Bowler
Executive Director

**FINANCIAL STATEMENT
OF
KENTUCKY-AMERICAN WATER COMPANY**

(as of December 31, 2005 except where noted)

(1) The amount and kinds of stock of the Applicant authorized are as follows:

Cumulative Preferred Stock, par value \$100 per share:

Series B, 5 - $\frac{3}{4}$ %	5,000 Shares
Series C, 5 - $\frac{1}{2}$ %	5,000 Shares
Series D, 5%	6,000 Shares
Unclassified	5,000 Shares

Preference Stock, par value \$100 per share:

8.47% Series	45,000 Shares
Unclassified	85,000 Shares

Common Stock, no par value 2,000,000 Shares

(2) The amounts and kinds of stock of the Applicant issued and outstanding are as follows:

Cumulative Preferred Stock, par value \$100 per share:

Series B, 5 - $\frac{3}{4}$ %	3,918 Shares
Series C, 5 - $\frac{1}{2}$ %	4,889 Shares
Series D, 5%	5,866 Shares

Preference Stock, par value \$100 per share:

8.47% Series	45,000 Shares
--------------	---------------

Common Stock, no par value 1,567,391 Shares

(3) The Cumulative Preferred Stock is cumulative as to dividends. If dividends on the Cumulative Preferred Stock shall be in arrears and such arrears shall aggregate an amount equal to or in excess of four (4) quarterly dividends upon such stock, the number of directors then constituting the

Board of Directors shall be increased by two (2) and the holders of the Preferred Stock voting separately as a class shall be entitled to elect the two (2) additional directors.

The Cumulative Preferred Stock is redeemable at any time upon thirty (30) days' notice at the following prices: the Series B at \$101 per share; the Series C at \$100.50 per share; and the Series D at \$100.

The Cumulative Preferred Stock, Series B, Series C and Series D are redeemable at par (\$100) in cases of (a) governmental or municipal acquisition of the Applicant's facilities or common stock, or (b) upon liquidation or dissolution of the Applicant.

The Preference Stock is cumulative as to dividends. If dividends on the Preference Stock shall be in arrears and such arrears shall aggregate an amount equal to or in excess of eight (8) quarterly dividends upon such stock, the number of directors then constituting the Board of Directors shall be increased by one (1) and the holders of the Preference Stock voting separately as a class shall be entitled to elect the one (1) additional director.

The shares of the 8.47% Preference Stock may be redeemed at any time, or from time to time, on or after December 1, 2001 at the option of the Company, in whole or in part, upon payment of a redemption price equal to the sum of \$100 per share plus a premium equal to the Make-Whole Premium as defined in the Articles of Incorporation.

At any time during the period of twelve (12) consecutive calendar months beginning on December 1, 2011 and ending November 30, 2012, both dates inclusive, and during each like period of twelve (12) consecutive calendar months thereafter so long as any shares of the 8.47% Series remain outstanding, the Company may at its option redeem up to and including, but not exceeding, four thousand five hundred (4,500) shares of the 8.47% Series at a redemption price equal to the sum of \$100 per share.

All then outstanding shares of the 8.47% Series shall be redeemed by the Company on December 1, 2036 at a redemption price equal to the sum of \$100 per share.

(4) The following are the only mortgages on the property of the Applicant:

General Mortgage Indenture dated as of May 1, 1968, executed by the Applicant to The Fidelity Bank (now US Bank), as Trustee, and supplemental indentures thereto dated as of December 1, 1970 (as

supplemented on December 17, 1970); September 1, 1974; November 1, 1977; December 1, 1982; June 1, 1983; August 1, 1985; January 1, 1987; September 1, 1988; October 1, 1989; November 1, 1990; December 1, 1991; December 1, 1992; December 1, 1993; September 1, 1995; February 1, 1997, and June 1, 1998.

The Indenture of Mortgage provides for the issue of General Mortgage Bonds which together with all other long-term debt cannot exceed 65% of Applicants total capitalization, and which is secured by a lien on all the property owned or thereafter acquired by the Company.

- (5) At December 31, 2005, \$23,500,000 in General Mortgage Bonds were issued and outstanding, and \$53,500,000 of unsecured Bonds were issued to American Water Capital Corporation (“AWCC”).

General Mortgage Bonds:

Principal amount authorized by Indenture:

No maximum limit of bonds fixed

Name of utility issuing bonds:

All bonds were issued by Kentucky-American Water Company

Principal amount issued and outstanding:

GMB:	<u>Issued</u>	<u>Outstanding</u>
6.96% Series	\$ 7,000,000	\$ 7,000,000
7.15% Series	7,500,000	7,500,000
6.99% Series	9,000,000	9,000,000

Unsecured: 5.65-24.; 6.87-15.5; 4.75-14.0

Date of issue (nominal date):

6.96% Series	December 22, 1993
7.15% Series	February 20, 1997
6.99% Series	June 17, 1998

Unsecured: 5.65 - June 12, 2002; 6.87 - March 29, 2001; 4.75 - March 1, 2004

Rate of interest:

6.96% Series	6.96%
7.15% Series	7.15%
6.99% Series	6.99%
5.65% Series	5.65%
6.87% Series	6.87%
4.75% Series	4.75%

Date of maturity:

6.96% Series	December 1, 2023
7.15% Series	February 1, 2027
6.99% Series	June 1, 2008
5.65% Series	June 12, 2007
6.87% Series	March 29, 2011
4.75% Series	March 1, 2014 (will be called early per provisions of note)

Security: All outstanding General Mortgage Bonds are secured by the lien of the General Mortgage Indenture upon all property of the Company.

Interest paid during the 12 months ended December 31, 2025:

6.96% Series	\$	487,000.00
7.15% Series		536,250.00
6.99% Series		629,100.00
5.65% Series		1,356,000.00
6.82% Series		1,064,850.00
4.75% Series		665,140.00

(6) Notes payable are payable to AWCC, bear interest as listed below, and mature December 31, 2005 (renewable).

<u>Payee</u>	<u>Date of Issue</u>	<u>Interest Rate*</u>	<u>12/31/05 Amount Outstanding</u>
AWCC	January 1, 2005	Variable	\$9,307,934

* Interest is calculated at the LIBOR market index rate.

Interest expense on outstanding notes during the period January 1, 2005 through December 31, 2005 amounted to \$183,637.

(7) The other indebtedness of the Applicant, as shown on its Balance Sheet annexed hereto and marked "Exhibit A – Schedule 1" consists, as of December 31, 2005, of current and accrued items on which no interest is payable.

(8) Dividends were paid by the Applicant during the five fiscal years as follows:

Common Stock

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Average Number of Shares</u>	<u>Amount</u>
2001	\$ 3.06	1,567,391	\$ 4,796,216
2002	3.01	1,567,391	4,717,847
2003	2.17	1,567,391	3,401,238
2004	1.22	1,567,391	1,912,217
2005	1.10	1,567,391	1,724,130

Cumulative Preferred Stock, Series B, 5 – ¾%

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Average Number of Shares</u>	<u>Amount</u>
2001	\$ 5.75	4,700	\$ 27,025
2002	5.75	4,700	27,025
2003	5.75	4,700	27,025
2004	5.75	4,700	27,025
2005	5.75	4,700	27,025

Cumulative Preferred Stock, Series B, 5 – ½%

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Average Number of Shares</u>	<u>Amount</u>
2001	\$ 5.50	5,000	\$ 27,500
2002	5.50	5,000	27,500
2003	5.50	5,000	27,500
2004	5.50	5,000	27,500
2005	5.50	5,000	27,500

Cumulative Preferred Stock, Series D, 5%

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Average Number of Shares</u>	<u>Amount</u>
2001	5.00	6,000	\$ 30,000
2002	5.00	6,000	30,000
2003	5.00	6,000	30,000
2004	5.00	6,000	30,000
2005	5.00	6,000	30,000

Preference Stock, 8.47% Series

<u>12 Mos. Ended December 31</u>	<u>Rate per Share</u>	<u>Average Number of Shares</u>	<u>Amount</u>
2001	8.47	45,000	\$ 381,150
2002	8.47	45,000	381,150
2003	8.47	45,000	381,150
2004	8.47	45,000	381,150
2005	8.47	45,000	381,150

(9) Applicant's Balance Sheet as of December 31, 2005 and a statement of Applicant's earnings and expenses for the twelve months ended on such date are shown on Exhibit A, Schedule 1 and Schedule 2, respectively, which are annexed hereto.

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American Water Works Company
Kentucky-American Water-Co 12
Total Company (USGAAP)
Comparative Balance Sheet
For the Period Ending 12/09/2005

12/15/05
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Kentucky-American Water Co.

Description	Current Year	Prior Year
ASSETS		
1 Utility Plant	303,733,315	282,577,352
2 Construction work in progress	11,416,985	6,345,740
3 Accumulated depreciation	68,879,350-	66,027,848-
4 Utility plant acquisition adjustment	338,465	407,617
5 Other utility plant adjustments		
6 Sub-total Utility Plant	246,609,415	223,302,861
7 Non-Utility property	249,738	249,738
8 Other investments		
Current Assets		
10 Cash and cash equivalents	840,222	584,046
11 Temporary investments		
12 Customer accounts receivable	3,428,301	2,506,851
13 Allowance for uncollectible accounts	258,904-	1,699,699-
14 Unbilled revenues	4,529,612	4,429,251
15 FIT refund due from assoc. companies	2,165,188	1,528,094
16 Miscellaneous receivables	590,576	623,289
17 Materials and supplies	425,930	536,204
19 Other	261,361	186,634
20 Sub-total	11,982,286	10,224,670
22 Deferred debits		
23 Debt and preferred stock	535,665	612,863
24 Expense of rate proceeding	782,497	950,530
25 Prelim survey & invest charges	134,363	1,741,474
26 Reg Asset-income tax recovery	6,807,353	6,987,643
27 Other	5,357,347	9,947,018
29 Sub-total	13,618,425	19,739,528
30 Total Assets	272,459,864	253,516,797
CAPITAL AND LIABILITIES		
32 Common Stock	36,568,777	36,568,777
34 Paid in capital	56,139	31,779
35 Retained Earnings	25,898,028	25,924,241
36 Unearned Compensation		
37 Reacquired C/S & Accum Comp Inc		
38 Total common equity	62,522,944	62,524,797
39 Preferred stock	1,468,700	6,048,500
40 Long term debt	77,000,000	82,500,000
41 Total capitalization	140,991,644	151,073,297
42 Current liabilities		
43 Bank debt	7,992,103	1,090,837
44 Current portion of LTD	4,500,000	
45 Accounts Payable	5,350,141	5,295,185
46 Taxes accrued	1,858,648	1,906,235
47 Interest accrued	1,365,851	1,458,572
48 Customer deposits	6,560	6,560
49 Dividends declared		
51 Other	5,945,034	2,578,112
52 Sub-total	29,018,337	12,335,501
54 Deferred credits		
55 Customer adv. for construction	16,448,419	15,777,400
56 Deferred income taxes	36,244,243	34,698,208
57 Deferred investment tax credits	1,365,134	1,460,729
58 Reg liab-inc.tax.refund thru rates	8,680,469	2,301,814
59 Other	4,029,810	3,646,454
60 Sub-total	66,768,075	57,884,605
62 Contributions in aid of construction	35,681,810	32,223,395
Total capital and liabilities	272,459,864	253,516,798

Exhibit A
Schedule 1

[CONFORMED COPY]

LEXINGTON WATER COMPANY

TO

THE FIDELITY BANK,
as Trustee

INDENTURE OF MORTGAGE

DATED AS OF MAY 1, 1968

GENERAL MORTGAGE BONDS

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INDENTURE, dated as of the first day of May, 1968, made by and between LEXINGTON WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (herein after called the "Company"), and THE FIDELITY BANK, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, as Trustee (hereinafter called the "Trustee").

WHEREAS, the Company deems it necessary to borrow money from time to time to refund its obligations and for other corporate purposes and to issue its bonds therefor, and to mortgage and pledge its property to secure the payment of said bonds, and to that end has duly authorized and directed the issue of its bonds, from time to time, not limited in aggregate principal amount except as hereinafter provided, to be designated generally as its "General Mortgage Bonds," to be issued in one or more series, all such bonds to be authenticated by the certificate of the Trustee and the bonds of each series to bear such date or dates, to mature on such date or dates, to bear interest at such rate or rates, and to contain such other terms and provisions as are required or permitted by this Indenture; and

WHEREAS, the bonds of the 7 $\frac{3}{8}$ % Series due July 1, 1993 (hereinafter called "bonds of the 7 $\frac{3}{8}$ % Series") and the Trustee's authentication certificate upon said bonds are to be substantially in the respective forms set forth in Exhibit A hereto, which Exhibit is hereby incorporated in and made a part of this Indenture as if set forth in full in the body hereof, the proper amount and numbers of such bonds to be inserted therein, the reference therein to a Prior Mortgage to be omitted if inapplicable, and such other appropriate insertions, omissions and changes to be made therein as may be authorized by the Board of Directors of the Company to express the terms and conditions upon which said bonds of the 7 $\frac{3}{8}$ % Series are issued as required or permitted by this Indenture; and

WHEREAS, the Board of Directors of the Company has determined that the initial issue of bonds under this Indenture shall be Four Million and Three Hundred Thousand Dollars (\$4,300,000) principal amount of bonds of the 7 $\frac{3}{8}$ % Series (which bonds of said Series in said principal amount are hereinafter called the "Initial Issue"); and

WHEREAS, the forms of bonds of all series other than the 7 $\frac{3}{8}$ % Series and the Trustee's authentication certificate thereon are to be set forth in the supplemental indenture creating such series, such forms to be consistent with the provisions of Section 1.03 of this Indenture and (to the extent applicable) the forms set forth in Exhibit A; and

WHEREAS, the Company warrants and represents that all things necessary to make said bonds, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company, the valid, binding and legal obligations of the Company, entitled to the benefits and security of this Indenture, and to make this Indenture a valid, binding and legal instrument for the security of the bonds to be issued hereunder, in accordance with their terms, have been done and performed, and the issue of the bonds of the 7 $\frac{3}{8}$ % Series as in this Indenture provided has been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of said bonds by the registered owners thereof and of One Dollar to it duly paid by the Trustee at or before the sealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of and premium (if any) and interest on all bonds at any time issued and outstanding hereunder, according to their tenor and effect, and the performance and observance by the Company of all the covenants and conditions herein and therein contained, and intending to be legally bound hereby, has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto The Fidelity Bank, as Trustee, and to its successors in the trust, and to them and their assigns forever:

All and singular the premises, property, assets, rights and franchises of the Company, whether now or hereafter owned, constructed or acquired, of whatever character and wherever situated (except as hereinafter expressly excepted), including, among other things, all right, title and interest of the Company in and to the following

3

(except as so excepted), but reference to or enumeration of any particular kinds, classes or items of property shall not be deemed to exclude from the operation and effect of this Indenture any kind, class or item not so referred to or enumerated:

I.

REAL ESTATE.

All real property, wherever situate, and interests in or relating to real property, whether now owned by the Company or hereafter acquired by it, including, without limiting the generality of the foregoing, all those pieces or parcels of land more particularly identified in Exhibit B hereto, which Exhibit is hereby incorporated in and made a part of this Granting Clause as if set forth herein in full.

II.

BUILDINGS AND EQUIPMENT.

All buildings, improvements, standpipes, reservoirs, wells, flumes, sluices, canals, basins, cribs, machinery, mains, conduits, hydrants, pipes, line lines, service pipes, water works plants and systems, tanks, shops, structures, purification systems, pumping stations, fixtures, engines, boilers, pumps, meters and equipment (including all improvements, additions and extensions appurtenant to any property hereby conveyed) whether the same or any thereof are now owned or may hereafter be acquired by the Company.

III.

FRANCHISES AND OTHER RIGHTS.

All corporate and other franchises, all water and flowage rights, riparian rights, easements and rights-of-way, and all permits, licenses, rights, grants, privileges and immunities, and all renewals, extensions, additions or modifications of any of the foregoing, whether the same or any thereof, or any renewals, extensions, additions or modifications thereof, are now owned or may hereafter be acquired, owned, held or enjoyed by the Company.

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IV.

FURTHER PROPERTY CONVEYED TO TRUSTEE

All property which may from time to time after the date of this Indenture be delivered, or which may by writing of any kind be conveyed, pledged, assigned or transferred, to the Trustee by the Company or by any person or corporation to be held as part of the trust estate, as hereinafter defined; and the Trustee is hereby authorized to receive any such property, and any such conveyance, pledge, assignment or transfer, as and for additional security hereunder, and to hold and apply any and all such property subject to and in accordance with the terms of this Indenture.

V.

OTHER PROPERTY.

All other property, real, personal and mixed, whether or not hereinabove specifically described, which the Company now owns or may hereafter acquire.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises or any part thereof, with the reversion and reversions, remainder and remainders, and, to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged, all of the following property (whether now owned or hereafter acquired by the Company): All bills, notes and accounts receivable, cash on hand and in bank, contracts, choses in action and leases to others (as distinct from the property so leased and without limiting any rights of the Trustee with respect thereto under any of the provisions of this Indenture), all bonds, obligations, evidences of indebtedness, shares of stock and other securities, and certificates

or evidences of interest therein, all office furniture and equipment, motor vehicles and tools, and all equipment, materials, goods, merchandise and supplies acquired for the purpose of sale in the ordinary course of business or for consumption in the operation of any properties of the Company—other than any of the foregoing which at any time may be specifically transferred or assigned to or pledged or deposited with the Trustee hereunder or required by the provisions of this Indenture so to be; provided, however, that if, upon the happening of an event of default as hereinafter in this Indenture defined, the Trustee or any receiver appointed hereunder shall enter upon and take possession of the mortgaged property, the Trustee or such receiver may, to the extent permitted by law, at the same time likewise take possession of any and all of the property described in this paragraph then on hand which is used or useful in connection with the utility business of the Company, and use and administer the same, to the extent permitted by law, to the same extent as if such property were part of the mortgaged property, unless and until such event of default shall be remedied or waived and possession of the mortgaged property restored to the Company, its successors or assigns.

SUBJECT, HOWEVER, to the exceptions, reservations and matters recited hereinabove and in Exhibit B hereto; to existing leases and tenure of any present occupants; to Permitted Encumbrances; and to the prior lien and all the provisions of the Prior Mortgage, if any Prior Mortgage is described in Article XVI of this Indenture.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be (said premises, property, assets, rights and franchises being herein sometimes called the "trust estate" or "mortgaged property" or "mortgaged premises"), unto the Trustee and its successors in the trust, and to them and their assigns forever;

IN TRUST, NEVERTHELESS, upon the terms and trusts herein set forth, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued hereunder, or any of them, without preference, priority or distinction of any of said bonds

over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under this Indenture shall have the same right, lien and preference under and by virtue hereof, and shall all be equally secured hereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date hereof; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of this Indenture; and provided, further, that the Company may in any indenture supplemental to this Indenture add to the conditions, limitations, restrictions, covenants and agreements of this Indenture, in the manner set forth in clauses (a) and (b) of Section 1.201 hereof, for the sole benefit of any one or more series of bonds.

IT IS HEREBY COVENANTED, DECLARED AND AGREED, by and between the parties hereto, that all such bonds are to be issued, authenticated and delivered, and that all property subject or to become subject hereto is to be held and applied, subject to the further covenants, conditions, uses and trusts hereinafter set forth; and the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds, or any of them, as follows:

ARTICLE I.

FORM, TERMS AND EXECUTION OF BONDS.

SECTION 1.01. The bonds issuable hereunder may, if and when authorized by the Board of Directors of the Company (hereinafter called the "Board of Directors"), be issued in one or more series and shall be designated generally as the "General Mortgage Bonds" of the Company. The bonds of each series other than the $7\frac{3}{8}\%$ Series shall have such further particular designations as the Board of Directors may adopt for such series, and each bond issued hereunder shall bear upon its face the designation so adopted for the series to which it belongs. At such time as the lien of the Prior Mortgage (if any) shall have been duly cancelled and discharged, the General Mortgage Bonds of the Company shall thereupon be and become known as the First Mortgage Bonds of the Company (with, in the

case of outstanding bonds, otherwise identical serial designations) without any action required to be taken for such purpose by the Company or the Trustee.

All bonds of any one series at any time simultaneously outstanding hereunder shall be identical in respect of the date of maturity (unless they are of serial maturities), the place or places of payment of the principal thereof and interest thereon, the interest rate (unless they are of serial maturities) and interest payment dates, the terms and rate or rates of redemption (unless they are of serial maturities), if redeemable, the provisions (if any) for a sinking, purchase or analogous fund for the retirement of bonds of such series, and the provisions (if any) as to the payment of principal or interest, or both, without deduction for, or as to the reimbursement of, taxes and (except for necessary or proper variations between bonds of different denominations) as to conversion, but bonds of the same series may be of different denominations and bonds of any series other than the $7\frac{3}{8}\%$ Series may be of serial maturities and, if of serial maturities, may differ with respect to maturity date, interest rate, and price and terms of redemption or payment prior to maturity.

Except as may be otherwise specifically provided with respect to a particular series of bonds in an indenture supplemental hereto, all bonds issued under this Indenture shall be issued only in the form of registered bonds without coupons and shall be exchangeable only for registered bonds without coupons of authorized denominations. Each holder of a registered bond without coupons issued under this Indenture, by accepting the same, waives any right to receive a coupon bond in exchange therefor.

SECTION 1.02. A series of bonds to be issued hereunder and secured hereby is hereby created, which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, $7\frac{3}{8}\%$ Series due July 1, 1993," herein called the "bonds of the $7\frac{3}{8}\%$ Series." The aggregate principal amount of the bonds of the $7\frac{3}{8}\%$ Series is not limited except as provided in this Indenture.

The bonds of the $7\frac{3}{8}\%$ Series shall be dated and shall bear interest as provided in Section 1.05 (except that bonds of the $7\frac{3}{8}\%$ Series dated prior to December 15, 1968 shall bear interest from their date) and shall be due July 1, 1993, and shall bear interest until matu-

rity at the rate of seven and three eighths per cent. ($7\frac{3}{8}\%$) per annum, payable semiannually on the fifteenth day of June and the fifteenth day of December in each year, commencing on the fifteenth day of December, 1968, and the balance of such interest at maturity. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

The principal of and the premium (if any) and the interest on the bonds of the $7\frac{3}{8}\%$ Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

The text of the bonds of the $7\frac{3}{8}\%$ Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect recited with respect thereto in Exhibit A hereto (the reference therein to a Prior Mortgage to be omitted if inapplicable), and said bonds shall be issued in denominations of One Thousand Dollars (\$1,000) or any multiple thereof and shall be numbered consecutively MR-1 and upwards.

The bonds of the $7\frac{3}{8}\%$ Series shall be redeemable at the price and on the conditions stated in the form of bond of the $7\frac{3}{8}\%$ Series set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of this Indenture.

SECTION 1.03. The bonds of any series other than the $7\frac{3}{8}\%$ Series, at the election of the Board of Directors as expressed from time to time in one or more indentures supplemental hereto, may contain such terms and conditions, not inconsistent with the provisions of this Indenture, as may be prescribed by the Board of Directors, including without limitation, terms and conditions with respect to: (a) denominations, (b) interest rate or rates, (c) time or times and place or places of payment of principal and interest, (d) payment of principal or interest, or both, without deduction for, or with respect to reimbursement of, taxes, (e) redemption and redemption prices, (f) a sinking, purchase or analogous fund and the retirement of such bonds by the operation thereof or otherwise, (g) convertibility and (h) exchangeability.

SECTION 1.04. All the bonds issued hereunder shall be executed on behalf of the Company by its President or one of its Vice-Presidents

and its corporate seal (which may be in facsimile, if permitted by law) shall be thereunto affixed and attested by its Secretary or one of its Assistant Secretaries.

In case any of the officers who shall have signed or sealed any bonds or attested the seal thereon shall cease to be such officers of the Company before the bonds so signed and sealed shall have been actually authenticated or delivered by the Trustee or issued by the Company, such bonds nevertheless may be authenticated, delivered and issued with the same force and effect as though the person or persons who signed and sealed such bonds and attested the seal thereon had not ceased to be such officer or officers of the Company; and also any such bond may be signed and sealed and the seal thereon attested, on behalf of the Company, by such persons as at the actual date of the execution of such bond shall be the proper officers of the Company, although at the nominal date of such bond any such persons shall not have been such officers of the Company.

Any bond issued hereunder may bear such numbers, letters or other marks of identification or designation, and may be endorsed with or have incorporated in the text thereof such legends or recitals in respect of transferability and in respect of the bond or bonds for which it is exchangeable, as may be determined by the Board of Directors, with the approval of the Trustee, and as may be required to comply with the rules and regulations of any securities exchange upon which the bonds are listed or are to be listed or to conform to any usage with respect thereto.

SECTION 1.05. Except in the case of bonds issued pursuant to Section 1.10, every bond shall be dated as of the date of its authentication (except that if any bond shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date). Except as otherwise provided in Section 1.02 with respect to the bonds of the $7\frac{3}{8}\%$ Series, every bond shall bear interest from the interest payment date next preceding the date of such bond (or, if the date of such bond is prior to the first interest payment date for the bonds of such series, then from a date to be prescribed by the Board of Directors and set forth in the supplemental indenture expressing the terms of bonds of such series); provided, however, that upon any transfer of bonds or any issuance (authorized by this

Indenture or any indenture supplemental hereto) of bonds in exchange or in substitution for one or more bonds, if the Company at the time shall be in default in the payment of interest on the bond or bonds surrendered on such transfer, exchange or substitution the Trustee shall endorse upon any bond or bonds issued upon such transfer, exchange or substitution a legend to the effect that the same bear interest from a specified date, which date shall be the last interest payment date to which interest has been paid on the bond or bonds so surrendered.

SECTION 1.06. The person in whose name any bond shall be registered on the books of the Company shall be deemed and regarded as the absolute owner thereof for all purposes of this Indenture; and payment of or on account of the principal of and premium (if any) and interest on any such bond shall be made only to or upon the order in writing, in form satisfactory to the Company and the Trustee, of such registered owner thereof, but such registration may be changed as provided herein. All such payments shall be valid and effectual to satisfy and discharge the liability upon such bonds to the extent of the sum or sums so paid.

SECTION 1.07. Any bond may be transferred or exchanged upon surrender thereof for cancellation at the office or agency specified for such purpose in such bond or in this Indenture or any indenture supplemental hereto with respect to bonds of the particular series, accompanied by such duly executed instruments of transfer as may be required by the Company and the Trustee, and thereupon the Company shall issue in the name of the transferee or transferees or in the name of the person making the exchange, as the case may be, and the Trustee shall authenticate and deliver, a new bond or bonds of the same series and maturity, in authorized denominations, for a like aggregate principal amount and bearing interest from the last interest payment date to which interest has been paid on the bonds surrendered. The Trustee shall forthwith cancel all bonds so surrendered and, on the written request of the Company, deliver the same to the Company.

Every exchange or transfer of bonds under the provisions of this Article I shall be effected in such manner as may be prescribed by the Company, with the approval of the Trustee, and as may be

required to comply with the rules and regulations of any securities exchange upon which the bonds are listed or are to be listed or to conform to any usage with respect thereto. The Company shall not be required to make exchanges or transfers of any bond under any provision of this Article I during a period of fifteen (15) days next preceding any interest payment date, or after the determination by the Trustee pursuant to the provisions of Section 4.02 hereof that such bond or a portion thereof is to be called for redemption, or after the first mailing of notice of redemption of such bond, anything in such bond to the contrary notwithstanding.

Upon any such exchange or transfer of bonds, the Company may require the payment of such reasonable charges therefor, not exceeding Two Dollars (\$2) for each bond issued, as it may deem proper, the payment of which, together with any taxes or other governmental charges required to be paid with respect to such exchange or transfer, shall be made by the party requesting the same as a condition precedent to the exercise of the privilege of such exchange or transfer.

SECTION 4.08. In case the Company, pursuant to the provisions of Article X, shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of this Indenture, and the successor corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received a conveyance or transfer as aforesaid, shall have executed with the Trustee and caused to be recorded an indenture pursuant to the provisions of Article X, any bonds issued under this Indenture prior to such consolidation, merger, conveyance or transfer may, from time to time, at the request of the successor corporation be exchanged for other bonds of the same series and maturity, executed in the name and under the seal of the successor corporation, with such changes in phraseology and form as may be appropriate but in substance of like tenor as the bonds surrendered for such exchange, and of like principal amount; and the Trustee, upon the request of the successor corporation, shall authenticate bonds as specified in such request for the purpose of such exchange and shall deliver such bonds upon surrender of the bonds so to be exchanged therefor. All bonds so surrendered shall be accompanied by written instruments of transfer duly executed by the regis-

tered owner or his duly authorized attorney, if deemed necessary by the Trustee. The Trustee shall forthwith cancel all bonds so surrendered and deliver the same to the successor corporation on its written request. All bonds so executed in the name and under the seal of the successor corporation and authenticated and delivered shall in all respects have the same legal rank and security as the bonds executed in the name of the Company and surrendered upon such exchange, with like effect as if the bonds so executed in the name of the successor corporation had been issued, authenticated and delivered hereunder on the date hereof.

The Company covenants and agrees that, if additional bonds of any particular series of which bonds are at the time outstanding shall at any time be issued in any new name, the Company will provide for the exchange of any bonds of such series previously issued, at the option of and without expense to the registered owners thereof, for bonds issued in such new name.

Section 1.09. Until definitive bonds of any series are ready for delivery, the Company may execute and, upon request of the Company in writing, the Trustee shall authenticate and deliver in lieu of any thereof, and subject to the same provisions, limitations and conditions, one or more temporary lithographed, typewritten, mimeographed or printed bonds, substantially of the tenor of the definitive bonds in lieu of which such temporary bond or bonds are issued, with such privileges of exchangeability, in such denomination or denominations (whether or not of denominations authorized for definitive bonds), with appropriate omissions, variations and insertions, and in such form (not inconsistent with the provisions of this Indenture or of any indenture supplemental hereto) as the Board of Directors may determine.

The Company shall, without unnecessary delay and at its own expense, prepare, execute and deliver to the Trustee, and thereupon, upon the presentation and surrender of any such temporary bond or bonds, the Trustee shall authenticate and deliver in exchange therefor, definitive bonds of the same series and maturity, for the same aggregate principal amount as, and in the authorized denominations indicated by the registered owners of, the temporary bond or bonds so surrendered. Until exchanged for definitive bonds, such temporary bond or bonds shall be entitled to the lien and benefit of this Inden-

ture. The Trustee shall forthwith cancel all temporary bonds so surrendered and, on the written request of the Company, deliver the same to the Company.

Until definitive bonds are ready for delivery, the registered owner of any temporary bond or bonds may, with the consent of the Company, exchange the same, upon the surrender thereof to the Trustee for cancellation, for a like aggregate principal amount of temporary bonds of the same series and maturity, in any other authorized denomination or denominations indicated by him. The definitive bonds of each series shall be engraved, lithographed or printed, as the Board of Directors may determine.

SECTION 1.10. Upon receipt by the Company and the Trustee of evidence satisfactory to them of the ownership of and the loss, theft, destruction or mutilation of any bond hereby secured and of indemnity satisfactory to them, and upon surrender and cancellation thereof if mutilated, the Company may execute, and the Trustee may authenticate and deliver, a new bond of the same series and maturity of like tenor in lieu of such lost, stolen, destroyed or mutilated bond. Such new bond, in the discretion of the Company, may bear the same serial number as the lost, stolen, destroyed or mutilated bond in lieu of which it is issued (in which case the new bond may be marked "Duplicate" or be otherwise distinguished) or a different serial number, and may bear such endorsement as may be prescribed by the Company, with the approval of the Trustee, and as may be required to comply with the rules and regulations of any securities exchange upon which the bonds are listed or are to be listed or to conform to any usage with respect thereto. The Company may require the payment of a sum sufficient to reimburse it and the Trustee for all expenses in connection with the issue of each new bond under this Section 1.10.

SECTION 1.11. Subject to the qualifications hereinbefore set forth, the bonds to be issued hereunder and the Trustee's authentication certificate upon such bonds shall be substantially of the tenor and effect hereinbefore recited, and no bond shall be secured hereby or entitled to the benefit hereof, or shall be or become valid or obligatory for any purpose, unless there shall be endorsed thereon an authentication certificate, substantially in such form, duly executed by the

Trustee; and such authentication certificate of the Trustee upon any bond shall be conclusive evidence and the only competent evidence that such bond has been duly issued hereunder and that the registered owner thereof is entitled to the benefit of the trust and lien hereby created.

ARTICLE II.

ISSUE OF BONDS.

SECTION 2.01. This Indenture creates a continuing lien to secure the full and final payment of the principal of and any premium which may be due and payable on and the interest on all bonds which may, from time to time, be executed, authenticated and delivered hereunder. The aggregate principal amount of bonds which may be so executed, authenticated and delivered hereunder is not limited hereby except as herein specifically set forth.

SECTION 2.02. At any time after the execution and delivery of this Indenture, and upon the delivery to the Trustee of an Opinion of Counsel stating in substance that all such action in the nature of recording, registering or filing this Indenture, financing statements under the Uniform Commercial Code, or any other documents or instruments, in such manner and in such places as may be required by law in order to establish, preserve and protect the lien hereof, has been taken, and specifying the details of such action, the Initial Issue of bonds under this Indenture, as hereinabove described, may be executed by the Company and delivered to the Trustee, and the Trustee shall thereupon authenticate and deliver said bonds to or upon the written order of the Company.

SECTION 2.03. Whenever requesting the authentication and delivery under this Article II of any bonds issuable hereunder, the Company shall (except in the case of bonds issuable under Section 2.02) furnish the Trustee, in addition to any other instruments elsewhere in this Article II required, the following:

- I. A Certified Resolution requesting the Trustee to authenticate and deliver bonds, specifying the series, maturity or (if

bonds of such series are of serial maturities) maturities and principal amount of such bonds to be authenticated and delivered, and naming the person or persons to whom or upon whose order such bonds shall be delivered.

2. In case the bonds to be authenticated and delivered are of any series not theretofore created, an indenture supplemental hereto (accompanied by a Certified Resolution authorizing such supplemental indenture) designating the new series to be created and prescribing, with respect to the bonds of such series:

(a) the date from which bonds dated prior to the first interest payment date for the bonds of such series shall bear interest;

(b) the amount thereof, if limited;

(c) to the extent determined by the Board of Directors, the form or forms and the authorized denominations thereof;

(d) the date or (if of serial maturities) dates of maturity thereof;

(e) the place or places where principal and interest are to be paid;

(f) the rate or (if of serial maturities) rates of interest and the date from which, and the date or dates on which, interest is payable;

(g) provisions (if any) as to payment of principal or interest, or both, without deduction for, or as to reimbursement of, taxes;

(h) provisions (if any) as to redemption;

(i) provisions (if any) for a sinking, purchase or analogous fund for the retirement of bonds of such series;

(j) provisions (if any) as to convertibility;

(k) provisions (if any) as to exchangeability;

(l) any other particulars necessary to describe and define such series within the provisions and limitations of this Indenture;

(m) any other provisions and agreements in respect thereof which may be for the sole benefit thereof, as provided or permitted in this Indenture; and

(n) the text of the bonds of such series.

All bonds of any such series which may be executed, authenticated and delivered hereunder shall substantially conform to the provisions of such supplemental indenture.

3. Either (a) a certificate or other official document constituting evidence of the authorization, approval or consent of any governmental body or bodies at the time having jurisdiction in the premises to the issue of the bonds applied for, together with an Opinion of Counsel that the same constitutes sufficient evidence thereof and that the authorization, approval or consent of no other governmental body is required, or (b) an Opinion of Counsel that no authorization, approval or consent of any governmental body is required.

4. An Opinion of Counsel that all instruments furnished the Trustee conform to the requirements of this Indenture and constitute sufficient authority hereunder for it to authenticate and deliver the bonds applied for; that all laws and requirements in respect of the form and execution of the supplemental indenture, if any is required, and the authentication and delivery by the Trustee of the bonds applied for have been complied with; that the Company has corporate power to issue such bonds and has taken all necessary corporate action for that purpose; and that the authentication and delivery of the bonds applied for will not make the total amount of indebtedness of the Company, as stated in the accompanying certificate provided for in paragraph 5 of this Section 2.03, exceed the limit of indebtedness of the Company fixed by its stockholders or by law, or that there is no limit of indebtedness of the Company then fixed by the stockholders or by law.

5. Unless the Opinion of Counsel provided for in the foregoing paragraph 4 shall state that there is no limit of indebtedness of the Company then fixed by its stockholders or by law, a certificate of the Treasurer or an Assistant Treasurer of the

Company stating that the total amount of indebtedness of the Company, including the principal amount of the bonds outstanding hereunder and the bonds applied for, does not exceed a principal amount which shall be specified in such certificate.

SECTION 2.04. In addition to the bonds authorized to be issued pursuant to other provisions of this Article II, the Company may from time to time hereafter, upon compliance with the provisions of Section 2.03 and the provisions of this Section 2.04, execute and deliver to the Trustee, and the Trustee shall thereupon authenticate and deliver to or upon the written order of the Company, bonds hereby secured for an aggregate principal amount which, when added to the principal amount of bonds outstanding under this Indenture and the principal amount of all other outstanding Long Term Debt of the Company, will not exceed 65% of the Total Capitalization of the Company, all as evidenced by a Capitalization Certificate prepared and computed in accordance with paragraph 1 of this Section 2.04 hereinbelow. Bonds shall be authenticated and delivered by the Trustee pursuant to this Section 2.04 only upon receipt by the Trustee, in addition to the resolutions, opinions, certificates and instruments provided for in Section 2.03, of the following:

L. A certificate (hereinafter in this Indenture sometimes called a "Capitalization Certificate"), signed by the President or a Vice-President and by the Treasurer or an Assistant Treasurer of the Company, setting forth the following on the basis of the balance sheet of the Company as at the end of its last fiscal quarter ended at least sixty days before the date on which the Certificate is delivered (provided, however, that all calculations in a Capitalization Certificate (i) shall give effect to any changes in indebtedness or equity securities of the Company that are accomplished between the date of such balance sheet and the time of the action under this Indenture in connection with which the Capitalization Certificate is delivered, (ii) shall except from Long Term Debt of the Company any thereof for the payment or redemption of which moneys in the necessary amount have been irrevocably set aside in trust by the Company or deposited with the Trustee or with the trustee or other holder of a mortgage or other lien securing any such Long Term Debt, and (iii) in making

all calculations of surplus, shall make no additions for any credits to surplus made after June 30, 1967, for the write-up of any asset, and shall make no deductions for any charges to surplus made after June 30, 1967, for the write down or write-off of the excess of the carrying value of any properties over the original cost of such properties when first devoted to public use):

(a) the aggregate principal amount of bonds outstanding under this Indenture;

(b) the aggregate principal amount of all outstanding Long Term Debt of the Company other than that issued under this Indenture;

(c) the aggregate principal amount of the bonds for the authentication and delivery of which application is being made;

(d) the total of the sums stated in subparagraphs (a), (b) and (c);

(e) the total of the par or stated value of all outstanding capital stock of the Company and all paid-in premiums thereon;

(f) all paid in surplus, capital surplus, earned surplus and other surplus accounts of the Company, which shall include the equity of the Company in the undistributed earnings of each subsidiary of the Company since the date of its acquisition by the Company;

(g) the total of the sums stated in subparagraphs (d), (e) and (f), which shall be the Total Capitalization of the Company;

(h) 65% of the Total Capitalization of the Company;

(i) that, after giving effect to the issuance of the bonds applied for, the aggregate principal amount of all outstanding Long-Term Debt of the Company (as stated in subparagraph (d) above) will not exceed 65% of its Total Capitalization; and

(j) that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of the Indenture.

2 Such instruments of conveyance, assignment and transfer (if any) as may be necessary to subject to the lien of this Indenture all the right, title and interest of the Company in and to properties of the character described in the granting clauses of this Indenture as subject to the lien hereof and which have not previously been specifically conveyed, assigned or transferred to the Trustee.

SECTION 2.05. In addition to the bonds authorized to be issued pursuant to other provisions of this Article II, the Company may from time to time hereafter, upon compliance with the provisions of Section 2.03, execute and deliver to the Trustee, and the Trustee shall thereupon authenticate and deliver to or upon the written order of the Company, bonds hereby secured, upon the deposit with the Trustee of an amount in cash equal to the amount of the principal of the bonds so requested to be authenticated and delivered and upon receipt by the Trustee of a certificate, signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company, stating that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of this Indenture. Moneys so deposited shall be held by the Trustee as part of the trust estate; and the Trustee shall pay over to the Company, out of the moneys so deposited, an amount up to the excess of 65% of the Total Capitalization of the Company over the aggregate principal amount of all outstanding Long Term Debt of the Company, upon receipt by the Trustee of a written order of the Company and a Capitalization Certificate prepared and computed in accordance with paragraph I of Section 2.04, except that, in place of the statement there prescribed for subparagraph (i), the Capitalization Certificate delivered pursuant to this Section 2.05 shall state the amount to be paid over to the Company pursuant hereto and that such amount is not more than the excess of 65% of the Total Capitalization of the Company over the aggregate principal amount of all outstanding Long Term Debt of the Company. Any moneys deposited with the Trustee under the provisions of this Section 2.05 and not withdrawn by the Company shall, at the request of the Company, be applied by the Trustee to the purchase or redemption of bonds issued hereunder, in the manner and to the extent provided in Section 6.03 and, if not so applied, shall, upon the happening

of the conditions specified in Section 6.04, be applied by the Trustee to the purchase or redemption of bonds issued hereunder, in the manner, to the extent and subject to the conditions provided in Section 6.04.

Section 2.06. In addition to the bonds authorized to be issued pursuant to other provisions of this Article II, the Company may from time to time hereafter, upon compliance with the provisions of Section 2.03, execute and deliver to the Trustee, and the Trustee shall thereupon authenticate and deliver to or upon the written order of the Company, bonds hereby secured, upon the satisfaction, discharge and cancellation of, or for the purpose of paying, redeeming or refunding, any bonds theretofore issued under any of the provisions of this Indenture or under the Prior Mortgage (if any); provided, however, that no bonds shall be authenticated and delivered in excess of the principal amount of the bonds so satisfied, discharged and cancelled or so to be paid, redeemed or refunded; and provided further that no bonds shall be so authenticated and delivered on the basis of bonds satisfied, discharged or cancelled prior to the last date on which any bonds have been authenticated and delivered or moneys withdrawn or property released under any provisions of this Indenture requiring a Capitalization Certificate to be delivered to the Trustee in connection therewith, unless such action could have been taken under such provisions if such bonds had been outstanding at such date; and provided further that bonds shall be so authenticated and delivered only upon receipt by the Trustee, in addition to the resolutions, opinions, certificates and instruments provided for in Section 2.03, of the following:

1. A Certified Resolution specifying the bonds theretofore authenticated and delivered hereunder or under the Prior Mortgage (if any) which have been, or prior to or simultaneously with the authentication and delivery of such additional bonds are to be, satisfied, discharged and cancelled, or for the payment, redemption or refunding of which such additional bonds are to be authenticated and delivered.

2. Either (a) (i) the bonds specified in the resolution mentioned in paragraph 1 of this Section 2.06, cancelled (unless such bonds shall have been previously cremated by the Trustee), or (ii) in the case of bonds theretofore authenticated and delivered

under the Prior Mortgage (if any), a certificate of the trustee thereunder to the effect that the bonds specified in the resolution mentioned in paragraph 1 of this Section 2.06 have been satisfied, discharged and cancelled, which bonds, in each case, shall be equal in principal amount to the principal amount of the bonds the authentication and delivery of which is requested on the basis thereof, or (b) in lieu of any or all of the bonds specified in such resolution, or in lieu of such certificate, respectively, (i) in the case of bonds theretofore authenticated and delivered under this Indenture, an amount in cash equal to the principal amount, with interest thereon to maturity, of such bonds, or, to the extent that such bonds are subject to redemption and notice of redemption thereof shall have been duly given or provision satisfactory to the Trustee shall have been made therefor, equal to the redemption price of such bonds, including interest thereon to the date fixed for redemption, or (ii) in the case of bonds theretofore authenticated and delivered under the Prior Mortgage (if any), a certificate of the trustee thereunder to the effect that such an amount in cash has been irrevocably deposited with such trustee to effect their redemption or payment at maturity and, in the case of redemption, that notice of redemption has been duly given or provision satisfactory to such trustee has been made therefor.

3. A certificate, signed by the President or a Vice President and the Treasurer or an Assistant Treasurer of the Company, stating in substance:

(a) that none of such bonds was purchased, paid or redeemed by or through the operation of any insurance provision hereof or of the Prior Mortgage (if any), or with the proceeds of the sale of or insurance upon any property subject to the lien hereof or of the Prior Mortgage (if any), or through the operation of any sinking, purchase or analogous fund or any other fund established hereby or by the Prior Mortgage (if any), or pursuant to the provisions hereof or of the Prior Mortgage (if any), or of any indenture supplemental hereto or thereto, or by the application of any moneys pursuant to the provisions of Sections 2.05, 5.06, 6.03 or 6.04 of this Indenture, or pursuant to equivalent provisions of the Prior Mortgage (if any); and

(b) that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of this Indenture.

In the event of the deposit with the Trustee of moneys pursuant to the provisions of this Section 2.06, the Company shall, from time to time, upon delivery to the Trustee for cancellation of any of the bonds, in respect of which such deposit shall have been made, be entitled to receive from the Trustee the moneys held by it in respect of such bonds; and all such bonds so delivered to the Trustee shall be forthwith cancelled by it and, on the written request of the Company, delivered to the Company. All moneys deposited with the Trustee under the provisions of this Section 2.06 shall, unless so repaid to the Company, be applied by the Trustee to the redemption on or after the redemption date or to the payment at or after maturity, as the case may be, of the bonds in respect of which such moneys were deposited, but only upon presentation of the same for such redemption or payment.

SECTION 2.07. Any of the bonds at any time issued under this Indenture may from time to time, at the request of the Company, expressed by resolution of the Board of Directors, and with the consent of the registered owners of such bonds, be exchanged for bonds of one or more other series issuable hereunder of an equal aggregate principal amount, and the Trustee, upon the request of the Company, shall authenticate bonds as specified in such request for the purpose of such exchange and shall deliver them upon surrender of the bond or bonds so to be exchanged therefor, but only upon receipt by the Trustee of the resolutions, opinions, certificates and instruments provided for in Section 2.03 and of a certificate conforming to the requirements of paragraph 3 of Section 2.06 with respect to the bonds so surrendered and stating that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of this Indenture. The Trustee shall forthwith cancel all bonds so surrendered and, on the written request of the Company, deliver the same to the Company.

SECTION 2.08. The resolutions, certificates, opinions and other instruments provided for in this Article II may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated

therein and shall be full warrant, protection and authority to the Trustee for the authentication and delivery of bonds or the release of moneys hereunder but, before authenticating and delivering any bonds or releasing any moneys under any provision of this Article II, the Trustee may, and upon the written request of the registered owners of not less than twenty-five per cent. (25%) in principal amount of the bonds then outstanding hereunder and upon being furnished with reasonable security and indemnity shall, cause to be made such independent investigation as it may see fit and, in that event, may decline to authenticate and deliver such bonds or release such moneys unless satisfied by such investigation of the truth and accuracy of the matters so investigated. The expense of such investigation shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand with interest at the rate of six per cent. (6%) per annum.

ARTICLE III.

PARTICULAR COVENANTS OF THE COMPANY.

The Company hereby covenants and agrees:

SECTION 3.01. That it is lawfully seized and possessed of all real estate, franchises and other property herein described or referred to as presently mortgaged hereby, that upon the first issue of any bonds hereunder such real estate, franchises and other property will be free and clear of any lien except Permitted Encumbrances and as set forth in the granting clauses hereof, and that it has good right and lawful authority to mortgage the same as provided in and by this Indenture.

SECTION 3.02. That it will promptly pay or cause to be paid the principal of and any premium which may be due and payable on and the interest on all the bonds issued hereunder according to the terms thereof, and that, if any coupon bonds shall ever be issued under this Indenture pursuant to a supplemental indenture authorizing the issuance of such bonds, (a) the coupons attached to said bonds shall be cancelled as they are paid, (b) coupons shall not be kept alive after maturity by extension thereof or by the purchase thereof by or on behalf of the Company, and (c) no coupon appertaining to any bond hereby secured which in any way at or after maturity shall have been

transferred or pledged separate or apart from the bond to which it relates, or which shall in any manner have been kept alive after maturity by extension or by the purchase thereof by or on behalf of the Company, shall be entitled, in case of a default hereunder, to any benefit of or from this Indenture, except after the prior payment in full of the principal of and any premium which may be due and payable on the bonds issued hereunder and of all coupons and interest obligations not so transferred, pledged, kept alive, extended or purchased, notwithstanding any provisions of this Indenture regarding the equality of security hereby afforded to bondholders or any provisions of Article VII regarding the application of sale proceeds and other moneys by the Trustee.

SECTION 3.03. That it will maintain an office or agency in the City of Philadelphia, Pennsylvania, so long as any bonds are outstanding hereunder, where notices, presentations and demands to or upon it in respect of this Indenture or said bonds may be given or made; that it will maintain an office or agency for the payment of the principal of and any premium which may be due and payable on and the interest on any bonds at the time outstanding in any place or places where such principal, premium or interest shall be payable; that it will keep books for the registration and transfer of bonds at an office or agency in such place or places as are specified in said bonds, or in any indenture supplemental hereto with respect thereto, as the place or places where said bonds are registered or transferable; that such books shall be open to inspection by the Trustee at all reasonable times; and that it will lodge from time to time with the Trustee notice of designation and of any change of any such office or agency. Unless the Company shall designate and maintain a different office or agency in the City of Philadelphia, Pennsylvania, for such purposes, the principal office of the Trustee shall be conclusively deemed to be the agency of the Company in said City for the purposes specified in this Section 3.03.

SECTION 3.04. That it will duly pay and discharge or cause to be paid and discharged, as the same shall become due and payable, all real estate and personal property taxes, assessments and other governmental charges lawfully levied and imposed upon the mortgaged premises, including the franchises, earnings and business of the Company, and will duly observe and conform to all valid requirements

of any governmental authority relative to any of the mortgaged property and all covenants, terms and conditions upon or under which any property, rights or franchises covered hereby are held; and that it will not suffer any mechanic's, laborer's, statutory or other lien to be hereafter created and remain upon said property, or any part thereof, or the income therefrom, except Permitted Encumbrances, and that it will not default in the performance of any of its obligations with respect to any purchase money mortgage, vendor's lien or other lien on property of the Company if such default will endanger the security afforded by this Indenture; provided, however, that nothing contained in this Section 3.04 shall be deemed to require the Company to pay or cause to be paid any such tax, assessment or charge or to satisfy any such lien so long as the Company in good faith shall contest or cause to be contested the validity thereof, provided the security afforded by this Indenture shall not be endangered by any sale or otherwise on account thereof.

SECTION 3.05. That it will keep or cause to be kept all property which is at any time covered by this Indenture, and which is not fire-proof and is of a character usually insured by companies similarly situated, insured by reputable insurance companies or associations against loss or damage by fire, to such amount as such property is usually insured by companies similarly situated, any one loss in excess of Twenty-five thousand Dollars (\$25,000) to be made payable to the Trustee or to the trustee or other holder of any lien on such property prior to the lien of this Indenture as the interests of the Trustee and of such trustee or other holder may appear. The proceeds of any insurance on any part of the mortgaged property which may be received by the Trustee shall be held and applied by it as hereafter provided in Article VI. The Company shall, however, be at liberty to appropriate, set aside and maintain out of its earnings or surplus an insurance reserve fund, in such amount as from time to time shall be determined by the Board of Directors, to be held and applied in making good fire losses, and such reserve fund shall be deemed for the purpose of this Section 3.05 the equivalent of policies of fire insurance aggregating an amount equal to the principal of the fund.

SECTION 3.06. That it will at all times maintain, preserve and keep or cause to be maintained, preserved and kept the mortgaged premises, and every part thereof, with the appurtenances and every part

and parcel thereof, in good repair, working order and condition, and will from time to time make or cause to be made all needful and proper repairs and renewals, replacements and substitutions, so that at all times the efficiency of the property hereby mortgaged shall be preserved and maintained, and, subject to the provisions hereof, will maintain its corporate existence and will use its best efforts to maintain, preserve and renew all the rights, powers, privileges and franchises by it owned so long as the same are necessary for the efficient operation of its utility business.

SECTION 3.07. That it will at all times take or cause to be taken all such action in the nature of filing, recording, re-filing and re-recording this Indenture, any supplemental indenture, financing statements under the Uniform Commercial Code, or any other documents or instruments, in such manner and in such places as may be required by law in order to establish, preserve and protect the lien intended to be created hereby and by any and all supplemental indentures to the fullest extent possible.

SECTION 3.08. That, if it shall fail to perform or cause to be performed any of the covenants contained in Sections 3.04, 3.05, 3.06 and 3.07 hereof, the Trustee (or any receiver appointed in any action or proceeding for the foreclosure hereof or for the enforcement of the rights of the Trustee or of the bondholders under this Indenture) may make advances to perform the same in its behalf (which advances shall be made by the Trustee if requested in writing so to do by the holders of not less than twenty-five per cent. (25%) in principal amount of the bonds then outstanding and furnished with funds for the purpose); and the Company hereby agrees to repay on demand all sums so advanced in its behalf, with interest at the rate of six per cent. (6%) per annum, and all sums so advanced with interest as aforesaid shall be secured hereby, having the benefit of the lien hereby created in priority to the indebtedness evidenced by the bonds; but no such advance shall be deemed to relieve the Company from any default hereunder.

SECTION 3.09. That it will upon reasonable request execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out more effectually the purposes of this

Indenture, and in particular (without in any way limiting the generality of the foregoing) to make subject to the lien hereof any property hereafter acquired by it (except property of the character herein specifically excepted from the lien hereof), to transfer to any successor trustee or trustees the estate, powers, instruments and funds held in trust hereunder and to confirm the lien of this Indenture with respect to any series of bonds issued or to be issued hereunder. No failure to request such further instruments or further acts shall be deemed a waiver of any right to the execution and delivery of such instruments or the doing of such acts or be deemed to affect the interpretation of any provisions of this Indenture.

SECTION 3.10. That it will at all times keep proper books of record and account in which full, true and correct entries of its transactions will be made in accordance with the rules and regulations of the regulatory authority or authorities having jurisdiction over the Company, or, in the absence thereof, in accordance with good accounting practice, and that it will at its own expense:

(a) upon the written request of the Trustee, permit the Trustee, by its agents and attorneys, to examine all the books of account, records, reports and other papers of the Company and to take copies and extracts therefrom and to examine the plans and properties of the Company; and

(b) within ninety (90) days after the end of each fiscal year of the Company, furnish to the Trustee financial statements presenting fairly the financial condition of the Company as at the end of, and its earnings and expenses for, such fiscal year, certified by the Comptroller or an Assistant Comptroller or the Treasurer or an Assistant Treasurer of the Company or, at the election of the Company, by a firm of independent accountants selected by the Company.

The Trustee, however, shall be under no duty to make any such examination unless requested to do so by the registered owners of not less than ten per cent. (10%) in principal amount of the outstanding bonds and furnished with reasonable security and indemnity covering such examinations, nor shall the Trustee have any duty with respect to any such financial statements when received except to

retain the same in its files and to exhibit the same to any bondholder requesting an inspection thereof.

SECTION 3.11. That, in case it shall hereafter create any mortgage upon the property subject to the lien of this Indenture or any part thereof, such mortgage shall be and shall be expressed to be subject to the prior lien of this Indenture for the security of all bonds then issued or thereafter to be issued hereunder. This provision shall not be deemed, however, to prevent the creation of purchase money mortgages having liens prior to the lien of this Indenture on property hereafter acquired by the Company.

SECTION 3.12. That it will not issue, or permit to be issued, any bonds hereunder in any manner other than in accordance with the provisions of this Indenture and the agreements in that behalf herein contained, and will not suffer or permit any default to occur under this Indenture, but will faithfully observe and perform or cause to be observed and performed all the conditions, covenants and requirements hereof, and that it will not hereafter issue, or permit to be issued, any bonds under the provisions of the Prior Mortgage (if any) other than upon the transfer of, or the exchange or substitution for, bonds issued and presently outstanding thereunder.

SECTION 3.13. (A) 1. Upon the written request of the registered owners of not less than a majority in principal amount of the bonds at the time outstanding under this Indenture, the Company at its own expense will promptly appoint an independent engineer, selected by the Board of Directors and satisfactory to the Trustee, to make an inspection of the Company's utility property and within a reasonable time after his appointment to report in writing to the Company and to the Trustee whether or not the Company's utility property, as an operating system, has been maintained in reasonably good repair, working order and condition; provided that the Company shall not be obligated to make any such appointment if less than five (5) years has elapsed since the last previous such appointment; and provided further that, in lieu of making such appointment, the Company may furnish to the Trustee a report in writing, dated within five (5) years prior to such request, of an independent engineer of recognized standing to the effect that the Company's utility property, as an

operating system, has been maintained in reasonably good repair, working order and condition. A copy of such written request shall be furnished promptly to the Trustee by the Company. If, while the Company is required to do so, it shall fail to appoint an independent engineer within one hundred and twenty (120) days following the receipt of such written request, the Trustee shall itself select an independent engineer to make such inspection and report.

2. Upon receipt by the Company of the aforesaid report of such independent engineer appointed hereunder, said report shall be presented to the Trustee. The Trustee shall mail a copy of said report to each registered owner of not less than ten per cent. (10%) in principal amount of the bonds of any series at the time outstanding and shall retain one copy on file at its office, open to inspection by any registered owner at any reasonable time. If such independent engineer shall report that the Company's utility property, as an operating system, has not been maintained in reasonably good repair, working order and condition, he shall specify in his report the character and extent of, and the estimated cost of making good the deficiencies in such maintenance, and, if longer than one year, the time reasonably necessary to make good such deficiencies. Said report of such independent engineer shall be conclusive evidence of the facts and conditions therein set forth, and the Trustee shall be fully protected in relying thereon.

3. The Company shall, with all reasonable speed, do such maintenance work as may be necessary to make good such maintenance deficiencies, if any, as shall have been specified in such report.

4. One year from the date of any such report which specified any maintenance deficiency (or at the end of such longer period as may be specified in such report to be reasonably necessary for the purpose of correcting such maintenance deficiency), such independent engineer (or, in the case of his refusal or inability to act, another independent engineer appointed by the Company or the Trustee in like manner) will report in writing to the Company and the Trustee whether such maintenance deficiency has been made good. If and only if he reports that such maintenance deficiency has not been made good, the Company shall be deemed to have defaulted in the due performance of the covenants contained in paragraph 3 of this subdivision (A) and in

Section 3.06. Said report of such independent engineer shall be conclusive evidence of the facts and conditions therein set forth, and the Trustee shall be fully protected in relying thereon.

5. All expenses incurred pursuant to the foregoing provisions of this subdivision (A) shall be borne by the Company.

6. The Company shall not at any time be required to do any maintenance work which shall at the time be contrary to or in violation of any applicable law, regulation, order or directive of any governmental authority having jurisdiction in the premises.

(B) The Company shall accrue upon its books a reserve for depreciation at a rate or rates fixed by the Company and acceptable to the regulatory authority having jurisdiction over the Company which shall in no event be less than a composite rate of nine-tenths of one per cent. ($\frac{9}{10}$ of 1%) per annum of depreciable property subject to the lien of this Indenture.

SECTION 3.14. That it will, upon the payment to it pursuant to the provisions of the Prior Mortgage (if any), of any moneys on deposit with the trustee thereunder, deposit the same with the Trustee; provided that such moneys need not be so deposited if (a) such moneys could at the time, if then on deposit with the Trustee, be withdrawn under any provision of this Indenture, and (b) there shall be delivered to the Trustee, in lieu of such deposit of moneys, the documents which would be required in connection with such withdrawal.

SECTION 3.15. That it will not hereafter issue any debt that is secured by a lien senior to the lien of this Indenture upon the mortgaged property or that is in any other way senior to the bonds issued under this Indenture, except (a) as provided in Section 3.11 with respect to purchase money mortgages, and (b) as provided in Section 3.12 with respect to transfers, exchanges or substitutions of bonds under the Prior Mortgage, if any.

SECTION 3.16. That, after the Initial Issue hereunder, it will not issue any Long Term Debt if, after giving effect to the issuance thereof, the aggregate principal amount of all outstanding Long Term Debt of the Company would exceed 65% of its Total Capitalization.

SECTION 3.17. That the recitals of fact and the statements contained in this Indenture are true.

ARTICLE IV.

REDEMPTION OF BONDS.

SECTION 4.01. The Company reserves the right to redeem all or any part of the bonds of the $7\frac{3}{8}\%$ Series issued hereunder as stated in Section 1.02. In the creation of each particular series of bonds issued hereunder other than the $7\frac{3}{8}\%$ Series, the Company may reserve the right to redeem and pay prior to their fixed maturity all or any part of the bonds of such series at such time or times, and from time to time, and on such terms as the Board of Directors may determine and as shall be appropriately expressed in the bonds of such series and in the supplemental indenture with respect to the bonds of such series.

SECTION 4.02. In case the Company shall desire to exercise such right of redemption of all or any part of the bonds in accordance with the right so reserved by it, it shall obtain such authorization, approval or consent of any governmental body or bodies at the time having jurisdiction in the premises as may at the time be required, and shall, at least twenty-five (25) days prior to the date fixed for redemption, mail by registered mail, postage prepaid, to the registered owners of the bonds to be redeemed, at their addresses as the same shall appear, if at all, upon the registry books of the Company, a notice to the effect that the Company has elected to redeem all the bonds or a part thereof, as the case may be, on a date therein designated, specifying, in the case of the redemption of less than all series, the series designations of the bonds to be redeemed, and, in the case of the redemption of less than all of the outstanding bonds of a series, the distinctive numbers of the bonds to be redeemed, and in every case stating that on said date there will become and be due and payable upon each bond so to be redeemed, at the principal office of the Trustee, the principal thereof, together with the accrued interest to such date, with such premium, if any, as is due and payable on such bond upon such redemption, and that from and after such date

interest thereon will cease to accrue. If provision shall be made in respect of any series for any additional condition to the redemption of bonds of such series, compliance shall be made with such provision in case bonds of such series shall be redeemed.

In case the Company shall have elected to redeem less than all of the outstanding bonds of any series, it shall in each such instance, at least five (5) business days before the first date upon which the notice of redemption hereinbefore mentioned is required to be given, notify the Trustee in writing of such election and of the aggregate principal amount of bonds of such series to be redeemed, and thereupon the Trustee shall draw by lot, in any manner deemed by it proper, the bonds to be redeemed and shall notify the Company in writing of the numbers of the bonds so drawn in ample time to permit the notice of redemption to be given as herein provided. In case any bond shall be redeemed in part only, such notice shall specify the principal amount thereof to be redeemed and shall state that, at the option of the registered owner, such bond may be presented for the notation thereon of the principal amount thereof so to be redeemed, or may be surrendered for redemption in which case a new bond or bonds of the same series of an aggregate principal amount equal to the unredeemed portion of such bond will be issued in lieu thereof, and the Company shall execute and the Trustee shall authenticate and deliver such new bond or bonds to or upon the written order of the registered owner of such bond, at the expense of the Company.

On or before the redemption date specified in the notice above provided for, the Company shall, and it hereby covenants that it will, deposit with the Trustee an amount of cash sufficient to effect the redemption of the bonds specified in such notice, except that such amount may be reduced to the extent that moneys then held by the Trustee under any of the provisions of this Indenture are available for such redemption. All moneys deposited by the Company with the Trustee or set apart by the Trustee under the provisions of this Indenture for the redemption of bonds shall be held in trust for the account of the respective registered owners of the bonds to be redeemed and applied in accordance with the provisions of Section 14.03 hereof.

On the redemption date designated in such notice, the principal amount of each bond so to be redeemed, together with the accrued

interest thereon to such date, and such premium, if any, as is due and payable on such bond upon such redemption, shall become due and payable; and from and after such date (such notice having been given in accordance with the provisions of this Section 4.02 and such deposit having been made or moneys set apart as aforesaid), then, notwithstanding that any bonds so called for redemption shall not have been surrendered, no further interest shall accrue on any such bond (or on the portion thereof so to be redeemed). From and after such date of redemption (such notice having been given in accordance with the provisions of this Section 4.02 and such deposit having been made or moneys set apart as aforesaid), or from and after the date upon which such notice is mailed, if such notice shall state that moneys to effect such redemption have been deposited with or set apart by the Trustee, all such bonds or such portions thereof, as the case may be, insofar as such deposit shall have been made or moneys set apart as aforesaid, shall be deemed to have been paid in full as between the Company and the respective registered owners thereof and shall no longer be deemed to be outstanding hereunder, and the Company shall be under no further liability in respect thereof.

SECTION 4.03. All bonds so redeemed shall forthwith be cancelled by the Trustee and, on the written request of the Company, delivered to the Company.

SECTION 4.04. Anything in this Indenture to the contrary notwithstanding, no bonds held by the Company, whether or not theretofore issued, and whether held in its treasury or pledged to secure any indebtedness, shall be deemed to be outstanding for the purposes of any redemption of bonds pursuant to the provisions of subdivision (B) of Section 5.06 or the provisions of Sections 6.03 or 6.01, so long as any other bonds are outstanding hereunder; and the Company hereby covenants and agrees that, in case of any such redemption, it will furnish to the Trustee the numbers of any bonds so held by it of any series of which any bonds are so to be redeemed.

ARTICLE V.

POSSESSION, USE AND RELEASE OF PROPERTY.

SECTION 5.01. Unless and until one or more of the events of default specified in Section 7.01 shall happen and be continuing, the

Company shall be suffered and permitted to possess, use and enjoy all the property and appurtenances, franchises and rights mortgaged by this Indenture, except cash and obligations required by any provision of this Indenture to be deposited with the Trustee, and to receive and use the tolls, rents, revenues, issues, income, product and profits thereof, with power in the ordinary course of business, freely and without let or hindrance on the part of the Trustee or the bondholders, to use and consume materials and supplies, and, except as herein otherwise expressly provided to the contrary, to deal with choses in action, easements, leases, leasehold interests and contracts, and to exercise the rights and powers conferred upon it thereby, to alter, repair and remove its buildings and structures, to change the position of its pipes, mains, conduits or other property whatsoever, to replace and renew any of its equipment, machinery or other property, and to make any lease, or grant or convey any right-of-way, easement or license (but the property so leased and the property over, through or under which any such right-of-way, easement or license shall be so granted or conveyed shall remain subject to the lien of this Indenture to the same extent and in the same manner as it was prior to such lease, grant or conveyance), without the consent of or any release by the Trustee, provided that any such lease, grant, conveyance or other disposition will not be prejudicial to the security of the bonds issued hereunder, and provided further that any lease hereafter made by the Company shall be subject to termination by the Trustee or by any receiver appointed in any action or proceeding for the foreclosure hereof or for the enforcement of the rights of the Trustee or of the bondholders under this Indenture if, upon the happening of an event of default hereunder, the Trustee or such receiver, shall have entered upon and taken possession of the mortgaged property.

SECTION 5.02. Unless and until one or more of the events of default specified in Section 7.01 shall happen and be continuing, the Company may, at any time and from time to time, without the consent of or any release by the Trustee:

1. Sell or otherwise dispose of, free from the lien of this Indenture, any machinery, equipment or other similar property comprising part of the mortgaged property, upon replacing the

same with or substituting for the same other machinery, equipment or other property of a value at least equal to the full value to the Company of the property so disposed of; or

2. Surrender in whole or in part, or assent to the modification of, any franchise, license or permit which it may hold, or under which it may be operating, provided that (a) in the written opinion, filed with the Trustee, of an engineer (who may be in the regular employ of the Company), selected by the Board of Directors and satisfactory to the Trustee, the Company is exercising the privileges granted thereby without a fair return to it and such surrender or modification is to the best interests of the Company, or (b) in the event of any such modification, the franchise, license or permit as modified shall in the Opinion of Counsel, filed with the Trustee, authorize the continuance of the same or an extended business in the same or an extended territory during the same or an extended or unlimited or indefinite period of time, or (c) in the event of any such surrender, the Company shall receive in exchange a new franchise, license or permit which, in the written opinion, filed with the Trustee, of such counsel, shall authorize it to do the same or an extended business in the same or an extended territory during the same or an extended or unlimited or indefinite period of time, or (d) after the surrender or modification of any such franchise, license or permit, the Company shall still, under some other franchise, license or permit, have the right, in the written opinion, filed with the Trustee, of such counsel, to conduct the same or an extended business in the same or an extended territory during the same or an extended or unlimited or indefinite period of time. For the purposes of this paragraph 2 and of any opinion to be rendered under it, any right of any municipality or other governmental body to terminate a franchise, license or permit by purchase shall not be deemed to abridge or affect its duration. The Trustee shall be under no duty, obligation or responsibility to obtain any such opinion of an engineer or opinion of counsel or other document required to be filed with it by the provisions of this paragraph 2; and it shall be under no duty to investigate or verify or make any inquiry in respect of any statement contained in any such opinion or other document, and shall have no duty of any char-

acter with respect thereto except to exhibit the same from time to time to any owner of bonds desiring an inspection thereof.

SECTION 5.03. The Company may sell, exchange or otherwise dispose of any of its property (in addition to the property referred to in Sections 5.01 and 5.02) at any time subject to the lien hereof, upon compliance with the requirements and conditions of this Section 5.03, and the Trustee shall release the same from the lien hereof upon receipt by the Trustee of:

1. A Certified Resolution requesting such release;

2. A certificate, signed by the President or a Vice-President of the Company and by an engineer (who may be in the regular employ of the Company) or firm of engineers (who may be under regular retainer from the Company), or, if such property consists of securities, by an appraiser or other competent person (who may be in the regular employ of the Company) or firm (who may be under regular retainer from the Company), in each case selected by the Board of Directors and satisfactory to the Trustee, stating in substance as follows:

(a) that, in the opinion of the signers, such release is in the best interests of the Company, the property to be released (if less than all or substantially all of the property of the Company which is used or useful in connection with its utility business) is not necessary for the efficient operation of its remaining property which is used or useful in connection with its utility business, and the security hereby afforded will not be impaired by such release;

(b) either (i) that the Company has sold or exchanged or otherwise disposed of, or has contracted to sell or exchange or otherwise dispose of, the property so to be released for a consideration representing, in the opinion of the signers, its full value to the Company, which consideration, in case the property to be released constitutes all or substantially all of the property at the time subject to the lien of this Indenture or all or substantially all of the property of the Company at the time subject to the lien of this Indenture which is used or useful in connection with the utility business of the Company, shall consist solely of cash, but in any other case hereunder may

consist of any one or more of the following: (x) cash, (y) obligations secured by purchase money first mortgage upon the property so to be released, but in an amount which is not in excess of two-thirds of the full value to the Company of such property, and (z) any other property which, upon acquisition thereof by the Company, would be subject to the lien of this Indenture, free of any easements or similar encumbrances except such as do not materially impair the use of such property for the purposes for which it was acquired, and subject to no lien other than Permitted Encumbrances (with the exclusion hereinafter provided), all of such consideration to be briefly described in the certificate, or (ii) that the property so to be released has been or is to be disposed of without consideration (or for consideration less than full value to the Company), in which event such certificate shall state an amount representing, in the opinion of the signers, its full value to the Company;

(c) if the consideration includes any property other than cash or obligations, that such property is property which, upon acquisition thereof by the Company, would be subject to the lien of this Indenture, free of any easements or similar encumbrances except such as do not materially impair the use of such property for the purposes for which it was acquired, and subject to no lien other than Permitted Encumbrances (excluding therefrom, for purposes of this paragraph, Permitted Encumbrances of the type described in subparagraph (k) of paragraph 6 of Article XVI);

(d) that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of this Indenture; and

(e) whether or not the amount at which the property to be released is at the time carried on the books of the Company is in excess of One hundred thousand Dollars (\$100,000);

3. Any money or obligations stated in such certificate to be or to have been received as consideration for any property so to be released or, if the property so to be released has been or is to be disposed of without consideration (or for consideration less than full value to the Company), money sufficient to meet any

deficiency between the consideration delivered to the Trustee and the amount stated in such certificate as representing the full value of the property to the Company (or, if the property so to be released is subject to a lien prior to the lien of this Indenture, a certificate of the trustee or other holder of such prior lien that it has received such money or obligations and has been irrevocably authorized by the Company to pay over to the Trustee any balance of such money or obligations remaining after the discharge of such prior lien); and, if any property other than cash or obligations is included in the consideration for any property so to be released, such instruments of conveyance, assignment and transfer, if any, as may be necessary, in the Opinion of Counsel hereinafter referred to, to subject to the lien of this Indenture all the right, title and interest of the Company in and to such property;

4. An Opinion of Counsel to the effect (a) that any obligations included in the consideration for any property so to be released are valid obligations and are effectively pledged hereunder, (b) that any purchase money mortgage securing the same is sufficient to afford a first mortgage lien upon the property to be released, (c) in case the Trustee is requested to release any franchise, license or permit, that such release will not impair the then existing right of the Company to operate any of its remaining property in its utility business, (d) either (i) that such instruments of conveyance, assignment and transfer as shall be delivered to the Trustee are sufficient to subject to the lien of this Indenture all the right, title and interest of the Company in and to any property, other than cash or obligations, which may be included in the consideration for the property so to be released, subject to no lien other than Permitted Encumbrances (excluding therefrom, for purposes of this paragraph, Permitted Encumbrances of the type described in subparagraph (k) of paragraph 6 of Article XVI), or (ii) that no instruments of conveyance, assignment or transfer are necessary for such purpose, (e) that the Company has corporate power to own all property included in the consideration for such release, and (f) in case any part of the money or obligations referred to in paragraph 3 of this Section 5.03 has been deposited with a trustee or other holder of a

prior lien, that such trustee or other holder (specifying the trustee or other holder and the lien) is entitled to receive the same;

5. Either (a) a certificate constituting evidence of the authorization, approval or consent of any governmental body or bodies at the time having jurisdiction in the premises to the sale, exchange or other disposition of the property so to be released, the consideration to be received therefor (if any) and the acquisition of any property constituting any part of such consideration, together with an Opinion of Counsel that the same constitutes sufficient evidence thereof and that the authorization, approval or consent of no other governmental body is required, or (b) an *Opinion of Counsel* that no authorization, approval or consent of any governmental body is required; and

6. If property so to be released is at the time carried on the books of the Company in an amount in excess of One hundred thousand Dollars (\$100,000), according to the certificate furnished pursuant to paragraph 2 of this Section 5.03, a certificate of an engineer (who shall not be in the regular employ of the Company or any corporation affiliated with the Company) or firm of engineers (who may be under regular retainer from the Company or any corporation affiliated with the Company), selected by the Company and satisfactory to the Trustee, stating in substance that, in the opinion of the signer or signers thereof, either (a) the consideration to be received by the Company for the property so to be released represents its full value to the Company, and that the sale or exchange or other disposition of such property for such consideration will not be prejudicial to the owners of the bonds then outstanding under this Indenture, or (b) if the property so to be released has been or is to be disposed of without consideration (or for consideration less than full value to the Company), the money deposited with the Trustee in connection with such release is at least sufficient to meet any deficiency between the consideration delivered to the Trustee and the full value of the property to the Company, and that such disposition will not be prejudicial to the owners of the bonds then outstanding under this Indenture.

Section 5.04. The Company may sell, exchange or otherwise dispose of any of its property (in addition to the property referred to in

Sections 5.01 and 5.02) at any time subject to the lien hereof, of an aggregate value not exceeding Ten thousand Dollars (\$10,000) in any one calendar year, except cash or obligations required by some other provision hereof to be deposited with the Trustee hereunder, and the Trustee shall release the same from the lien hereof upon receipt by it of:

1. A Certified Resolution requesting such release;

2. A certificate, signed by the President or a Vice-President of the Company and by an engineer (who may be in the regular employ of the Company) or firm of engineers (who may be under regular retainer from the Company), or, if such property consists of securities, by an appraiser or other competent person (who may be in the regular employ of the Company) or firm (who may be under regular retainer from the Company), in each case selected by the Board of Directors and satisfactory to the Trustee, stating in substance as follows:

(a) the full value to the Company of the property so to be released, and that in the opinion of the signers such release is in the best interests of the Company and the property to be released is not necessary for the efficient conduct of its utility business;

(b) that the value to the Company of the property so to be released, together with the value to the Company of all property theretofore released by the Trustee pursuant to the provisions of this Section 5.04 during the calendar year in which such request is made, does not exceed Ten thousand Dollars (\$10,000); and

(c) that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of this Indenture; and

3. Either (a) a certificate constituting evidence of the authorization, approval or consent of any governmental body or bodies at the time having jurisdiction in the premises to the sale, exchange or other disposition of the property so to be released, together with an Opinion of Counsel that the same constitutes sufficient evidence thereof and that the authorization, approval

or consent of no other governmental body is required, or (b) an Opinion of Counsel that no authorization, approval or consent of any governmental body is required.

SECTION 5.05. Any new property acquired by the Company by exchange, purchase or otherwise to take the place of any property released hereunder shall forthwith and without further conveyance become subject to the lien of and be covered by this Indenture; but, if requested by the Trustee, the Company shall convey the same to the Trustee by proper deeds or other instruments upon the trusts and for the purposes of this Indenture.

SECTION 5.06. (A) In the event that any one or more municipal corporations or other governmental subdivisions or governmental bodies shall at any time acquire all or any part of the property of the Company which is subject to the lien of this Indenture, by the exercise of the power of eminent domain or by the exercise of a right reserved to purchase the same, the award or consideration payable therefor shall be paid to the Trustee, unless the Trustee is furnished an Opinion of Counsel that the trustee or other holder of some lien prior to the lien of this Indenture is entitled to receive the same, and the Trustee may accept such award or consideration, if approved by the Board of Directors as representing its full value to the Company (or, without such approval, if the award shall be final and not subject to appeal or revision), and, if requested by the Company, shall execute and deliver a release of the property so acquired and shall be fully protected in so doing upon receipt by the Trustee of:

1. A Certified Resolution requesting such release and, unless the Opinion of Counsel furnished pursuant to paragraph 3 of this subdivision (A) shall state that the award is final and not subject to appeal or revision, approving such award or consideration as representing the full value of such property to the Company;

2. The award or consideration received for such property (or, to the extent that such award or consideration constitutes an award or consideration for property subject to a lien prior to the lien of this Indenture, a certificate of the trustee or other holder of such prior lien that it has received such award or consideration and has been irrevocably authorized by the Company

to pay over to the Trustee any balance of such award or consideration remaining after the discharge of such prior lien); and

3. An Opinion of Counsel to the effect (a) that such property has been duly and lawfully acquired by one or more municipal corporations or other governmental subdivisions or governmental bodies, by the exercise of the power of eminent domain or by the exercise of a right reserved to purchase the same, (b) if any part of the award or consideration received for such property has been deposited with a trustee or other holder of a prior lien, that such trustee or other holder (specifying the trustee or other holder and the lien) is entitled to receive the same, and (c) unless the resolution furnished pursuant to paragraph 1 of this subdivision (A) shall approve such award or consideration as representing the full value of such property to the Company, that the award is final and not subject to appeal or revision.

In any such proceeding, the Trustee may be represented by counsel, who may be of counsel to the Company.

(B) In the event that either (a) all or substantially all of the property of the Company at the time subject to the lien of this Indenture or (b) all or substantially all of the property of the Company at the time subject to the lien of this Indenture which is used or useful in connection with the utility business of the Company shall be released from the lien of this Indenture under the provisions of subdivision (A) of this Section 5.06 or the provisions of Section 5.03, then the award or consideration received by the Trustee for such property so released, together with any other moneys held by the Trustee under this Indenture, including the proceeds of any sales of obligations by the Trustee pursuant to Section 6.01 (such award or consideration and other moneys being hereinafter referred to collectively as "available moneys"), shall be applied by the Trustee to the redemption in full of all bonds then outstanding, any moneys held for account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. If such available moneys shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount of cash sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest

accrued to such date and all expenses in connection with such redemption.

In case any redemption of all bonds outstanding hereunder is to be made under the provisions of this subdivision (B), the same shall be done in accordance with the applicable provisions of this Indenture and any indenture supplemental hereto, except that any notice that such bonds are to be redeemed may state that such notice and such redemption are conditional upon the actual receipt of the award or consideration in question on or prior to the redemption date. In any such case, if the award or consideration shall be received on or prior to such date the bonds shall be payable, on such date, at their respective applicable redemption prices together with interest accrued thereon to such date.

If such notice shall not previously have been given, the Trustee, within ten (10) days after its receipt of the award or consideration, shall give notice, in the name and at the expense of the Company and on its behalf, of the call of such bonds for redemption on a date not later than thirty (30) days after such receipt, in the manner and with the effect specified in Article IV of this Indenture and in any indenture supplemental hereto.

If the available moneys shall not be sufficient for the payment of the applicable redemption prices of all bonds then outstanding, together with accrued interest to the redemption date and all expenses in connection with such redemption, and the Company shall default in its obligation to pay the balance to the Trustee, then such moneys (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium (if any) and interest, but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bonds except to the extent of such partial payment. All amounts so to be paid on the bonds shall be paid over by the Trustee to the registered owners of the bonds upon presentation of the bonds at the office of the Trustee for stamping thereon of a notation as to the amount so paid thereon or for otherwise providing with respect to such payment in any manner satisfactory to the Company and the Trustee.

In the event of any such partial pro rata payment, notice thereof shall be given once by the Trustee, in the manner provided in Article

IV of this Indenture with respect to the redemption of bonds, within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption, to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

Before making any payment on any bonds pursuant to the provisions of this subdivision (B), the Trustee may apply any moneys in its hands to the payment of taxes and assessments and of the reasonable compensation and expenses of the Trustee, its agents, attorneys and counsel, and of all other sums payable to or by the Trustee under any provision of this Indenture.

SECTION 5.07. In no event shall any purchaser in good faith of any property which the Trustee has purported to release hereunder be bound to ascertain the authority of the Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of such authority, or to see to the application of the purchase money; nor shall any purchaser of machinery or equipment or other similar property be under obligation to ascertain or inquire into the occurrence of the event on which any such sale is hereby authorized.

SECTION 5.08. Notwithstanding that any one or more of the events of default specified in Section 7.01 shall have happened and be continuing, in case the trust estate or any part thereof shall be in the possession of a receiver of the Company or of the mortgaged property or of a trustee in bankruptcy or on reorganization proceedings (including reorganization proceedings under any Federal bankruptcy law or similar statutory provisions), lawfully appointed, or of an assignee for the benefit of creditors, the powers in and by this Article V conferred upon the Company may, with the consent of the Trustee, be exercised by such receiver, trustee or assignee with respect to such

part of the trust estate as may then be in his or its possession and, if the Trustee shall be in possession of the trust estate or any part thereof under any provision of this Indenture, then all the powers by this Article V conferred upon the Company may be exercised by the Trustee in its discretion with respect to such part of the trust estate as may then be in its possession. A written request signed by such receiver, trustee or assignee shall be deemed the equivalent of any resolution of the Board of Directors required by the provisions of this Article V, and any certificate required by such provisions to be signed by any officer of the Company may be signed by such receiver, trustee or assignee instead of such officer.

Notwithstanding that any one or more of the events of default specified in Section 7.01 shall have happened and be continuing, the Company, so long as it shall be in possession of the trust estate, may with the consent of the Trustee, which consent may be given by the Trustee in its discretion and shall be given upon the written request of the registered owners of a majority in principal amount of the bonds then outstanding, exercise any of the powers in and by this Article V conferred upon it.

In the case of any release made pursuant to the provisions of this Section 5.08, it shall not be necessary to include in any certificate filed with the Trustee in connection therewith a statement that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of this Indenture.

SECTION 5.09. Whenever the Company shall be required to deposit with the Trustee any money or obligations under Section 5.03 or any award or consideration under subdivision (A) of Section 5.06, the amount of such deposit may be reduced by the amount of taxes and expenses in connection with the sale, exchange or other disposition of the property to be released from the lien of the Indenture, and by the amount of taxes and expenses in connection with the sale or other disposition of obligations or other property received by the Company as part of the consideration or award for the property to be so released, upon receipt by the Trustee of a certificate, signed by the Treasurer or an Assistant Treasurer of the Company, setting forth the amount of all such taxes and expenses. In the event that such taxes and expenses shall not at the time have been fully determined,

such certificate shall set forth the estimated amount thereof, which shall be labelled as "estimated taxes and expenses."

In the event that a reduction in the amount of any deposit with the Trustee shall be made, as aforesaid, on the basis of estimated taxes and expenses, the Company shall, when such taxes and expenses have been fully determined, furnish the Trustee with a further certificate, signed by the Treasurer or an Assistant Treasurer of the Company, setting forth the amount of such taxes and expenses. If the amount of such taxes and expenses exceeds the estimated amount thereof (as set forth in the certificate previously furnished the Trustee), the Trustee shall, upon the written order of the Treasurer or an Assistant Treasurer of the Company, pay to the Company an amount equal to such excess, to the extent that moneys or obligations then held as part of the trust estate are sufficient therefor. If the amount of such taxes and expenses is less than the estimated amount thereof (as set forth in the certificate previously furnished the Trustee) the Company shall thereupon deposit with the Trustee an amount equal to such deficiency.

SECTION 5.10. The resolutions, certificates, opinions, statements and other instruments provided for in this Article V may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for making any release pursuant to this Article V; but before making any release the Trustee may, and upon the written request of the registered owners of not less than twenty-five per cent. (25%) in principal amount of the bonds then outstanding hereunder and upon being furnished with reasonable security and indemnity shall, cause to be made such independent investigation as it may see fit and, in that event, may decline to make such release unless satisfied by such investigation of the truth and accuracy of the matters so investigated. The expense of any such investigation shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand, with interest at the rate of six per cent. (6%) per annum.

ARTICLE VI.

CONCERNING OBLIGATIONS AND APPLICATION OF MONEYS RECEIVED BY THE TRUSTEE.

SECTION 6.01. All obligations received by the Trustee under the provisions of Section 5.03, unless released pursuant to the provisions

of said Section 5.03, shall be held by the Trustee as part of the trust estate and collected by it, and the Trustee shall have the right to enforce the payment thereof and each and every provision thereof by proceedings at law or in equity, but it shall be under no liability or accountability whatever for failure to collect the same or to enforce the payment thereof. Interest as received thereon shall be paid over to the Company, provided the Company is not then in default hereunder to the knowledge of the Trustee. All such obligations held by the Trustee may be released pursuant to the provisions of Section 5.03. In the event that the bonds outstanding shall become redeemable under the provisions of subdivision (B) of Section 5.06 and the moneys available in the hands of the Trustee for such redemption shall not be sufficient to effect such redemption in full as provided in said subdivision (B), the Trustee shall endeavor to sell, in such manner, upon such terms, at such times and at such prices as in its discretion it may determine, such amount of any obligations held by it under this Indenture as may be necessary to provide funds for or toward such redemption in full.

SECTION 6.02. (A) Unless and until one or more of the events of default specified in Section 7.01 shall happen and be continuing, any moneys received by the Trustee (a) on account of the principal of any obligation received under the provisions of Section 5.03, (b) as proceeds of released property or of property taken by the power of eminent domain or otherwise acquired by any municipal corporation or other governmental subdivision or governmental body, (c) as proceeds of any insurance, (d) upon the satisfaction, discharge or other release of any mortgage or other lien prior to the lien of this Indenture, or (e) pursuant to the provisions of Section 3.14, shall be held by the Trustee as a part of the security for the bonds issued and outstanding hereunder and, subject to the provisions of subdivision (B) of Section 5.06, shall be paid over from time to time by the Trustee to or upon the written order of the Treasurer or an Assistant Treasurer of the Company:

1. To reimburse the Company for expenditures made for the replacement, improvement, restoration or repair of property destroyed or damaged (to the extent that insurance moneys arising from such loss or damage are in the hands of the Trustee), upon receipt by the Trustee of a certificate, signed by the Presi-

dent or a Vice-President and by the Treasurer or an Assistant Treasurer of the Company, describing in reasonable detail such replacement, improvement, restoration or repair and stating the amount expended therefor and that such amount is reasonable in the opinion of the signers; or

2. In an amount up to the excess of 65% of the Total Capitalization of the Company over the aggregate principal amount of all outstanding Long Term Debt of the Company, upon receipt by the Trustee of a written order of the Company and a Capitalization Certificate prepared and computed in accordance with paragraph 1 of Section 2.04, except that, in place of the statement there prescribed for subparagraph (i), the Capitalization Certificate delivered pursuant to this Section 6.02 shall state the amount to be paid over to the Company pursuant hereto and that such amount is not more than the excess of 65% of the Total Capitalization of the Company over the aggregate principal amount of all outstanding Long Term Debt of the Company.

(B) Notwithstanding that any one or more of the events of default specified in Section 7.01 shall have happened and be continuing, in case the trust estate or any part thereof shall be in the possession of a receiver of the Company or of the mortgaged property or of a trustee in bankruptcy or in reorganization proceedings (including reorganization proceedings under any Federal bankruptcy law or similar statutory provisions), lawfully appointed, or of an assignee for the benefit of creditors, the powers conferred upon the Company by subdivision (A) of this Section 6.02 may, with the consent of the Trustee, be exercised by such receiver, trustee or assignee with respect to such part of the trust estate as may then be in his or its possession; and, if the Trustee shall be in possession of the trust estate or any part thereof under any provision of this Indenture, then the powers conferred upon the Company by subdivision (A) of this Section 6.02 may be exercised by the Trustee, in its discretion, with respect to such part of the trust estate as may then be in its possession. Any certificate required by the provisions of said subdivision (A) to be signed by any officer of the Company may be signed by such receiver, trustee or assignee instead of such officer.

Notwithstanding that any one or more of the events of default specified in Section 7.01 shall have happened and be continuing, the

Company, so long as it shall be in possession of the trust estate, may with the consent of the Trustee exercise the powers conferred upon it by subdivision (A) of this Section 6.02.

The consent of the Trustee to the exercise, pursuant to this subdivision (B), by any receiver, trustee or assignee or by the Company of the powers conferred upon the Company by subdivision (A) of this Section 6.02 may be given by the Trustee in its discretion and shall be given upon the written request of the registered owners of a majority in principal amount of the bonds then outstanding hereunder.

In the case of any exercise, pursuant to this subdivision (B), of the powers conferred upon the Company by subdivision (A) of this Section 6.02, it shall not be necessary to include in any certificate filed with the Trustee in connection therewith a statement that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of this Indenture.

(C) The certificates, instruments and opinions provided for in this Section 6.02 may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for the payment of any moneys as requested therein; but before making any such payment the Trustee may, in its discretion, and upon the written request of the registered owners of not less than twenty-five per cent. (25%) in principal amount of the bonds then outstanding hereunder and upon being furnished with reasonable security and indemnity shall, cause to be made such independent investigation as it may see fit and, in that event, may decline to make such payment unless satisfied by such investigation as to the truth and accuracy of the matters so investigated. The expense of any such investigation shall be paid by the Company or, if paid by the Trustee, shall be repaid by the Company upon demand with interest at the rate of six per cent. (6%) per annum.

SECTION 6.03. All or any part of any moneys received by the Trustee as specified in subdivision (A) of Section 6.02 and not theretofore paid over or requested to be paid over to the Company pursuant to said Section 6.02 or applied or required to be applied pursuant to the provisions of subdivision (B) of Section 5.06, and all

or any part of any moneys deposited with the Trustee under the provisions of Section 2.05 and not theretofore applied as therein authorized, shall, at the election and in accordance with the request of the Company, be applied by the Trustee from time to time to the purchase or to the redemption, if redeemable, of bonds issued hereunder, of such series as may be specified in such request, upon receipt by the Trustee of (a) a Certified Resolution evidencing such request, and (b) a certificate, signed by the President or a Vice-President and by the Treasurer or an Assistant Treasurer of the Company, stating that, to the best of the knowledge and belief of the signers, no default exists on the part of the Company in the performance of any of the terms or covenants of this Indenture.

Any such redemption shall be effected in accordance with the applicable provisions of Article IV of this Indenture and of any indenture supplemental hereto.

Before making any purchase of bonds of any series pursuant to the provisions of this Section 6.03, the Trustee may, and if requested by the Company to do so shall, by notice published once in each of two successive calendar weeks, on any day of each such week, in one daily newspaper printed in the English language and of general circulation in the City of Philadelphia, Pennsylvania, advertise for written proposals to sell to it the bonds which the Company has requested to be purchased; and the Trustee, to the extent of the funds then in its hands and requested by the Company to be so applied, shall purchase the bonds so offered at the lowest price or prices asked therefor, except as hereinafter provided. If requested by the Company to do so, the Trustee may also, in its discretion, make such purchases in the open market or at private sale or upon any securities exchange as it may determine. The Company may tender bonds to the Trustee, and the Trustee may purchase such bonds from the Company. Should there be two or more proposals at the same price aggregating more than the amount which the Trustee has available for the purchase of bonds after having accepted all proposals at lower prices, such proposals shall, if possible under their terms, be accepted pro rata, as nearly as may be; provided, however, that no proposal shall be accepted and no purchase made by the Trustee at a price in excess of the maximum price specified by the Company in its request to the Trustee, which maximum shall not exceed the redemption price then in effect for bonds of such series, or, if the

Company shall not have specified any such maximum price, in excess of such redemption price, or, if there be no such redemption price then in effect, in excess of the principal amount thereof, in each case with accrued interest to the date of delivery, which date shall not be more than five days after the date of the agreement of the Trustee to purchase unless the written consent of the Company to a later date shall have been given; and provided further that the Trustee may, in its discretion, reject any or all proposals in whole or in part if, in its opinion, such action is justified.

In every case of the purchase of bonds pursuant to the provisions of this Section 6.03, the Trustee shall forthwith cancel the purchased bonds and, on the written request of the Company, deliver the same to the Company.

All interest accrued up to but not including the date of delivery or redemption, as the case may be, of all bonds to be purchased or redeemed by the Trustee under the provisions of this Section 6.03, together with (a) the amount (if any) by which the aggregate purchase price to be paid by the Trustee exceeds the aggregate principal amount of the bonds to be purchased, and (b) the premiums (if any) payable upon redemption, shall be paid by the Company as an additional payment to the Trustee prior to the date of delivery or redemption, as the case may be, and the cost of all advertising and publishing shall be paid by the Company, or, if paid by the Trustee, shall forthwith be repaid to it by the Company upon demand, with interest at the rate of six per cent. (6%) per annum.

SECTION 6.04. Unless and until one or more of the events of default specified in Section 7.01 shall happen and be continuing, all or any part of any moneys received by the Trustee as specified in subdivision (A) of Section 6.02 and not theretofore paid over or requested to be paid over to the Company pursuant to Section 6.02 or applied or required to be applied pursuant to the provisions of subdivision (B) of Section 5.06 or of Section 6.03, and all or any part of any moneys deposited with the Trustee under the provisions of Section 2.05 and not theretofore applied by the Company or requested by it to be applied as therein authorized, in each case within three years after the receipt of such moneys by the Trustee, shall, to the extent practicable, be applied by the Trustee at the expiration of said three-year period, without any further action on the part of the Company,

to the purchase of bonds of any series in accordance with the provisions of Section 6.03 and, to the extent that bonds are not so purchased within six months after the expiration of said three-year period, shall, but only if the moneys then available for the purpose shall be at least Ten thousand Dollars (\$10,000), forthwith be applied by the Trustee, to the extent practicable, pro rata on the basis of the respective principal amounts of bonds of all such series then outstanding, to the redemption, by lot, of bonds of each series then outstanding hereunder and subject to redemption, in accordance with the applicable provisions of Article IV of this Indenture and of any indenture supplemental hereto; and the Company hereby irrevocably authorizes the Trustee, in the name of and at the expense of the Company and on its behalf, to give notice of the call of such bonds for redemption, in the manner and with the effect specified in Article IV of this Indenture and in such supplemental indentures; provided, however, that neither the Company nor the Trustee shall be required to make any such purchase or redemption unless furnished with an Opinion of Counsel that all authorizations, approvals or consents of any governmental body or bodies at the time having jurisdiction in the premises to such purchase or redemption have been obtained or that no authorization, approval or consent of any governmental body is required; and provided further that the Trustee shall not be required to take any such action or give any such notice unless (a) the Company shall have theretofore indemnified it against any and all costs and expenses in connection therewith, and (b) there shall be paid to the Trustee an amount equal to all interest accrued up to but not including the date of delivery or redemption, as the case may be, on all bonds so to be purchased or redeemed under the provisions of this Section 6.04, together with the premiums (if any) payable upon redemption. The Company covenants and agrees that, upon receipt of notice from the Trustee of any such proposed purchase or redemption, it will make timely application for the authorization, approval or consent of any governmental body or bodies at the time having jurisdiction in the premises which may be required, and will do all other things necessary on its part to be done to effect any such purchase or redemption.

SECTION 6.05. All or any part of any moneys held by the Trustee hereunder (except such as may be held for account of any particular

bonds) shall from time to time at the written request of the Company, signed by the Treasurer or an Assistant Treasurer of the Company, be invested or reinvested by the Trustee in any bonds or other obligations of the United States of America designated by the Company, which as to principal and interest constitute direct obligations of the United States of America and will mature or become payable at the election of the holder within one year of acquisition by the Trustee, or in such commercial paper or other obligations as may be agreed upon by the Company and the Trustee. Until one or more of the events of default specified in Section 7.01 shall happen and be continuing, any interest or increment on such investments (in excess of any accrued interest paid at the time of purchase) which may be received by the Trustee shall be forthwith paid to the Company. Such investments shall be held by the Trustee as a part of the trust estate, subject to the same provisions hereof as the cash used by it to purchase such investments; but upon a like request of the Company, the Trustee shall sell all or any designated part of the same and the proceeds of such sale shall be held by the Trustee subject to the same provisions hereof as the cash used by it to purchase the investments so sold. If under the provisions of Section 6.04 any moneys held by the Trustee and so invested or reinvested shall be required to be applied to the redemption of bonds, the Trustee shall forthwith sell such investments in an amount equivalent to such moneys. In case the net proceeds (exclusive of interest) realized upon any such sale shall amount to less than the amount invested by the Trustee in the purchase of the investments so sold (after appropriate adjustment on account of any accrued interest paid at the time of purchase), the Trustee shall within five days after such sale notify the Company in writing thereof and within five days thereafter the Company shall pay to the Trustee the amount of the difference between such purchase price and the amount so realized, and the amount so paid shall be held by the Trustee in like manner and subject to the same conditions as the proceeds realized upon such sale.

Whenever application is made by the Company under any provision of this Indenture to withdraw all or any part of moneys deposited or held by the Trustee, the Company shall accept investments held by the Trustee as a part of the trust estate pursuant to this Section 6.05 to the extent that such investments shall be tendered to it by the Trustee in lieu of cash; and such investments shall be

accepted in lieu of such cash at the net cost thereof (exclusive of accrued interest) to the trust estate.

In the event that the bonds outstanding hereunder shall become redeemable under the provisions of subdivision (B) of Section 5.06 and the moneys available in the hands of the Trustee for such redemption shall not be sufficient to effect such redemption in full as provided in said subdivision (B), the Trustee shall endeavor to sell, in such manner, upon such terms, at such times and at such prices as in its discretion it may determine, such amount of any investments held by it under this Section 6.05 as may be necessary to provide funds for or toward such redemption in full.

The Trustee shall not be liable or responsible for any loss resulting from any investment or reinvestment pursuant to this Section 6.05.

ARTICLE VII.

REMEDIES UPON DEFAULT.

SECTION 7.01. In case one or more of the following events, herein called "events of default," shall occur, that is to say:

(a) default shall be made in the payment of the principal of or any premium which may be due and payable on any bond hereby secured, when the same shall become payable, whether at maturity, upon redemption, by declaration, acceleration or otherwise; or

(b) default shall be made in the payment of any interest on any bond hereby secured, when the same shall become payable, and such default shall continue for ten (10) days, or default shall be made in any payment required to be made to any sinking, amortization, purchase or other analogous fund for the benefit of any bond hereby secured, when the same shall become payable, and such default shall continue for ten (10) days; or

(c) default shall be made by the Company in the observance or performance of any of the other covenants, agreements or conditions on its part in this Indenture or in any supplemental indenture contained and such default shall continue for sixty (60) days after written notice to the Company by the Trustee electing to treat such event as an event of default, which notice may be given by the Trustee in its discretion, and shall be given at the

written request of the registered owners of not less than ten per cent. (10%) in principal amount of the bonds then outstanding; or

(d) an event of default as therein defined shall have occurred under the Prior Mortgage (if any) and shall have continued beyond any applicable period of grace provided in the Prior Mortgage and shall not have been cured or waived; or

(e) the Company shall be adjudicated a bankrupt, or shall institute proceedings for voluntary bankruptcy, or shall make an assignment for the benefit of its creditors; or

(f) the Company shall admit in writing its inability to pay its debts generally as they mature, or shall institute proceedings for reorganization under any Federal bankruptcy law or other similar law, and the Trustee shall give written notice to the Company electing to treat such event as an event of default, which notice may be given by the Trustee, in its discretion, and shall be given at the written request of the registered owners of not less than ten per cent. (10%) in principal amount of the bonds hereby secured and then outstanding; or

(g) a receiver of the Company, or of the mortgaged property as, or substantially as, an entirety, shall be appointed, or a decree or order shall be entered equivalent to a determination that proceedings for the reorganization of the Company have been properly instituted, otherwise than by the Company, under any Federal bankruptcy law or other similar law, and such appointment, decree or order shall not be vacated within sixty (60) days after written notice to the Company by the Trustee electing to treat such event as an event of default, which notice may be given by the Trustee in its discretion, and shall be given at the written request of the registered owners of not less than ten per cent. (10%) in principal amount of the bonds hereby secured and then outstanding;

then and in every such case the Trustee, by notice in writing given to the Company, may, and upon the written request of the registered owners of not less than twenty-five per cent. (25%) in principal amount of the bonds then outstanding shall, declare the principal

amount of all bonds then outstanding and the interest accrued thereon immediately due and payable, and said principal and interest shall thereupon become and be immediately due and payable; subject, however, to the right of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of or premium or interest on the bonds of any particular series, then of the registered owners of a majority in principal amount of the bonds of such series then outstanding), by written notice to the Company and the Trustee, to annul such declaration and destroy its effects and to waive any such default hereunder at any time before any sale under the power of sale hereby given or, if proceedings to foreclose this Indenture are instituted, before any final decree is entered in such proceedings, if, before any such sale, or before the entry of any such final decree, as the case may be, all agreements with respect to which default shall have been made shall be fully performed and the principal of and any premium which at the time may be payable on any bonds which have theretofore been called for redemption or which have matured in due course by their terms, all arrears of interest upon all bonds then outstanding (including interest on overdue premiums that may be payable upon bonds theretofore called for redemption and, if and to the extent permitted by law, on all overdue instalments of interest - in each case at the respective rates of interest payable upon the principal of the bonds outstanding), the reasonable charges and expenses of the Trustee, its agents, attorneys and counsel, and all other indebtedness secured hereby, except the principal of bonds the date of maturity of which has not yet arrived and interest accrued since the last interest payment date, shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of the persons entitled thereto.

SECTION 7.02. The Company agrees, to the extent that it may lawfully so agree, that if one or more of the events of default specified in Section 7.01 shall occur and be continuing, the Company, upon demand of the Trustee, shall forthwith surrender to the Trustee the actual possession, and, to the extent permitted by law, the Trustee, by such officers or agents as it may appoint, may enter and take possession, of all the mortgaged property, together with all property which by the terms of this Indenture (or of any indenture supplemental hereto) the Trustee is permitted to take possession of, use

and administer upon entering upon and taking possession of the mortgaged property (with the books, papers and accounts of the Company), and may exclude the Company, its agents and servants, wholly therefrom and may hold, operate and manage the same and from time to time make all needful repairs and such alterations, additions, advances and improvements as to it shall seem wise, and may receive the rents, income, issues and profits thereof, and out of the same may pay all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs, alterations, additions and improvements, and may apply the remainder of the moneys so received by it as follows:

(a) In case the principal of none of the bonds then outstanding shall have become due, to the payment of the interest in default, in the order of the maturity of the installments of such interest, with interest, if and to the extent permitted by law, on all overdue installments of interest at the respective rates of interest payable upon the principal of the bonds outstanding; such payments to be made ratably to the persons entitled thereto, without discrimination or preference; or

(b) In case the principal of any of the bonds then outstanding shall have become due, by declaration or otherwise, first to the payment of the interest in default, in the order of the maturity of the installments of such interest, with interest on all overdue principal and, if and to the extent permitted by law, on all overdue installments of interest at the respective rates of interest payable upon the principal of the bonds outstanding; and thereafter to the payment of the principal of all bonds then due; and thereafter to the payment of any premiums that may be due and payable upon bonds theretofore called for redemption; and thereafter to the payment of interest on any overdue premium at the respective rates of interest payable upon the principal of the bonds as to which such premium is due; such payments, respectively, to be made ratably to the persons entitled thereto, without discrimination or preference.

Whenever the full amount that is due upon such interest installments and upon the principal of, premium on, and interest on premium on such bonds, and under any of the terms of this Indenture, shall have been paid and all defaults made good, the Trustee shall surrender possession to the Company, its successors or assigns. The same right of entry, however, shall exist in the event any subsequent default shall occur and be continuing.

SECTION 7.03. If one or more of the events of default specified in Section 7.01 hereof shall occur and be continuing, the Trustee may, if and to the extent and in the manner permitted by law, and upon obtaining such authorization, approval or consent of any governmental body or bodies at the time having jurisdiction in the premises as may at the time be required, by such officers or agents as it may appoint, with or without entry, sell the mortgaged property, together with all property which by the terms of this Indenture (or any indenture supplemental hereto) the Trustee is permitted to take possession of, use and administer upon entering upon and taking possession of the mortgaged property, as an entirety or, if permitted by law, in such parcels as registered owners of a majority in principal amount of the bonds then outstanding shall in writing request or, in the absence of such request, as the Trustee may determine, at public auction at some convenient place in the county or counties where the mortgaged property is located, or in Philadelphia, Pennsylvania, as the Trustee shall elect, or in such other place or places as may be required by law, having first given notice of such sale by publication in at least one newspaper printed in the English language and of general circulation in the place or places where such sale is to take place, at least once a week for four successive calendar weeks, on any day of each such week, next preceding such sale, and any other or further or additional notice which may be required by law, and from time to time may adjourn such sale in its discretion by announcement at the time and place appointed for such sale or for such adjourned sale or sales without further notice except such as may be required by law, and upon such sale may make and deliver to the purchaser or purchasers a good and sufficient deed or deeds for the same, which sale, as likewise any sale made under this Indenture by virtue of any judicial proceedings, shall, to the extent permitted by law, be a perpetual bar both in law and in equity against the Company and all persons and corporations

lawfully claiming or to claim by, or through or under it. The Trustee and its successors are further hereby irrevocably appointed the true and lawful attorneys of the Company, in its name and stead, for the purpose of effectuating any such sale to execute and deliver all necessary deeds, bills of sale, assignments and transfers, and to substitute one or more persons or corporations with like power, the Company hereby ratifying and confirming all that its said attorneys, or such substitute or substitutes, shall lawfully do by virtue hereof. Nevertheless, if so requested by the Trustee or by any purchaser, the Company shall ratify and confirm any such sale or transfer by executing and delivering to the Trustee or to such purchaser or purchasers all proper conveyances, assignments, instruments of transfer and releases as may be designated in any such request.

SECTION 7.04. If one or more of the events of default specified in Section 7.01 shall occur and be continuing, the Trustee may, either after entry as hereinbefore provided or other entry or without entry, proceed by suit or suits at law or in equity or by any other appropriate remedy to enforce payment of the bonds hereby secured and to foreclose this Indenture and to sell, as an entirety or, if permitted by law, in separate parcels, the mortgaged property, together with all property which by the terms of this Indenture (or any indenture supplemental hereto) the Trustee is permitted to take possession of, use and administer upon entering upon and taking possession of the mortgaged property, under the judgment or decree of a court or courts of competent jurisdiction, and it shall be obligatory upon the Trustee to take action either by such proceedings or by the exercise of its powers with respect to entry or sale as the Trustee may determine, upon being requested in writing so to do by the registered owners of not less than twenty-five per cent. (25%) in principal amount of the bonds then outstanding, and upon being indemnified as hereinafter provided in Section 11.01.

No owner or owners of bonds shall be entitled to take any proceedings under this Indenture or upon or in respect of any of the bonds hereby secured, except in case of refusal or neglect of the Trustee to act after such continued default and such request and tender of indemnity as aforesaid; provided, however, that nothing in this Indenture or in any of the bonds contained shall affect or impair the right, which is unconditional and absolute, of the registered

owner of any bond to enforce payment of the principal of and any premium which may be due and payable on and the interest on the bond at or after the date when the same shall respectively become due, or the obligation of the Company, which is also unconditional and absolute, to pay the principal of and any premium which may be due and payable on and the interest on the bonds to the respective registered owners thereof at the respective times and places therein expressed.

SECTION 7.05. No remedy by the terms of this Indenture conferred upon or reserved to the Trustee or to the owners of bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 7.06. Anything in this Indenture to the contrary notwithstanding, the registered owners of a majority in principal amount of the bonds then outstanding, from time to time, shall have the right, to the extent permitted by law, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken for any sale of the mortgaged property or for the foreclosure of this Indenture or for the appointment of a receiver, and any other proceedings under this Article VII; provided that such direction shall not be otherwise than in accordance with the provisions hereof.

SECTION 7.07. If one or more of the events of default specified in Section 7.01 shall occur and be continuing, then upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the owners of the bonds, the Trustee, if permitted by law, shall be entitled as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the income, rents, issues and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer, but, notwithstanding the appointment of any receiver, the Trustee shall be entitled as pledgee to the possession and control of any cash, securities or other instruments at the time held by, or payable or deliverable under the provisions of this Indenture to, the Trustee.

SECTION 7.08. Upon any sale being made either under the power of sale hereby given or under judgment or decree in any judicial proceedings for foreclosure or otherwise for the enforcement of this Indenture, the principal of all bonds then outstanding, if not previously due, and the interest accrued thereon, shall at once become and be immediately due and payable.

SECTION 7.09. Upon any such sale, whether made under the power of sale hereby given or under judgment or decree of court or otherwise, any owner or owners of bonds, or the Trustee, may bid for and purchase the mortgaged property and, upon compliance with the terms of sale, may hold, retain and possess and dispose of such property in his, their or its own absolute right without further accountability; and any purchaser at any such sale may, if permitted by law, after allowing for the proportion of the total purchase price required to be paid in cash for the costs and expenses of the sale, compensation and other charges, in paying purchase money, turn in bonds then outstanding in lieu of cash, to the amount which shall, upon distribution of the net proceeds of such sale, be payable thereon. Said bonds, in case the amount so payable thereon shall be less than the amount due thereon, shall be returned to the registered owners thereof after being properly stamped to show partial payment.

SECTION 7.10. Upon any such sale, whether made under the power of sale hereby given or under judgment or decree of court or otherwise, the receipt of the Trustee or of the officer making a sale under judicial proceedings shall be sufficient discharge to the purchaser or purchasers for the purchase money, and such purchasers and their assigns or personal representatives shall not, after paying such purchase money and receiving such receipt therefor, be obliged to see to the application of such purchase money or be in any wise answerable for any loss, misapplication or non-application thereof.

SECTION 7.11. The proceeds of any such sale, whether made under the power of sale hereby conferred upon the Trustee or under judgment or decree of court or otherwise, together with any other moneys then held by the Trustee under this Indenture as part of the mortgaged property or the proceeds thereof, except any moneys held for the benefit and security or payment of any particular bonds, shall be applied as follows:

First: To the payment of all lawful taxes, assessments or liens prior to the lien of this Indenture, except those subject to which such sale shall have been made, and of all costs and expenses of such sale, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and of all other sums payable to the Trustee hereunder by reason of any expenses or liabilities incurred or advances made by it in connection with the management or administration of the trusts hereby created;

Second: To the payment of the whole amount then owing and unpaid upon the bonds then outstanding for principal, premium (if any) and interest, with interest on overdue principal, premium (if any) and, if and to the extent permitted by law, installments of interest, at the respective rates of interest payable upon the principal of the bonds outstanding; and, in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment ratably of such principal, interest thereon, and interest on overdue interest as aforesaid, without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest; and thereafter to the payment ratably of any premiums that may be due and payable upon bonds theretofore called for redemption; and thereafter to the payment ratably of interest on overdue premiums as aforesaid; but only upon presentation of the bonds and upon stamping payment thereon if partly paid and upon surrender thereof if fully paid; and

Third: Any surplus then remaining, to the Company, its successors or assigns, or to whoever may be lawfully entitled to receive the same.

SECTION 7.12. The Company agrees, to the full extent that it may lawfully so agree, that in case of a default on its part, as aforesaid, neither the Company nor any one claiming through or under it shall or will set up, claim or seek to take advantage of any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any property subject to the lien hereof may be situated, in order to prevent or hinder the enforcement or foreclosure of this Indenture, or the absolute sale of the property hereby conveyed, or the final and absolute putting into possession

thereof, immediately after such sale, of the purchasers thereof; and the Company, for itself and all who may at any time claim through or under it, hereby waives, to the full extent that it may lawfully so do, the benefit of all such laws and any and all right to have the estates comprised in the security intended to be created hereby marshaled upon any foreclosure of the lien hereof, and agrees that the Trustee or any court having jurisdiction to foreclose such lien may sell the mortgaged property as an entirety.

SECTION 7.13. No waiver of any default hereunder, whether by the Trustee or the owners of bonds, shall extend to or shall affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon.

SECTION 7.14. In case the Trustee shall have proceeded to enforce any right under this Indenture by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored to their former positions and rights hereunder with respect to the mortgaged property, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

SECTION 7.15. The Trustee shall, to the extent permitted by law, be entitled and empowered either in its own name or as trustee of an express trust, or as attorney-in-fact for the owners of the bonds, or in any one or more of such capacities, to file such proofs of debt, amendments of proof of debt, claims, petitions or other documents as may be necessary or advisable in order to have the claims of the Trustee and of the owners of the bonds allowed in any equity receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings relative to the Company or its creditors or affecting its property. The Trustee is hereby irrevocably appointed (and the successive respective owners of the bonds by taking and holding the same shall be conclusively deemed to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective owners of the bonds, with authority to make and file in the respective names of the owners of the bonds, or on behalf of the owners of the bonds as a class, subject to deduction from any such claims of the

amounts of any claims filed by any of the owners of the bonds themselves, any proofs of debt, amendments of proof of debt, claims, petitions or other documents in any such proceedings and to receive payment of any sums becoming distributable on account thereof, and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of such owners of the bonds, as may be necessary or advisable in the opinion of the Trustee in order to have the respective claims of the Trustee and of the owners of the bonds against the Company or its property allowed in any such proceeding, and to receive payment of or on account of such claims; provided, however, that nothing contained in this Indenture shall be deemed to give the Trustee any right to accept or consent to any plan of reorganization or otherwise by action of any character in any such proceeding to waive or change in any way any right of any of the owners of the bonds; and provided further that nothing contained in this Section 7.15 shall be deemed to constitute a waiver by the Company of its right to contest the validity of any claim made against it.

SECTION 7.16. The Company covenants that if default shall be made in the payment of any principal or premium hereby secured when the same shall become due and payable, whether by the maturity of said bonds (as originally fixed or as accelerated as provided in this Indenture) or upon redemption or otherwise, then, upon demand of the Trustee, the Company will pay to the Trustee, for the benefit of the owners of the bonds then outstanding hereunder, the whole amount due and payable on all such bonds for principal, premium and interest, with interest on the overdue principal, premium, and, if and to the extent permitted by law, installments of interest, at the respective rates of interest payable upon the principal of the bonds outstanding; and, in case the Company shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, shall be entitled to sue for and recover judgment for the whole amount so due and unpaid.

The Trustee shall be entitled to sue and recover judgment as aforesaid either before, after or during the pendency of any proceedings for the enforcement of the lien of this Indenture, and the right of the Trustee to recover such judgment shall not be affected by any entry or sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the provisions of this Indenture or

the foreclosure of the lien hereof. In case of a sale of any of the mortgaged property and of the application of the proceeds of sale to the payment of the debt hereby secured, the Trustee, in its own name and as trustee of an express trust, shall be entitled to enforce payment of and to receive all amounts then remaining due and unpaid upon any and all of the bonds then outstanding hereunder, for the benefit of the holders thereof, and the Trustee shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest. No recovery of any such judgment by the Trustee and no attachment or levy of any execution upon any such judgment upon any of the mortgaged property or upon any other property shall in any manner or to any extent affect the lien of this Indenture upon the mortgaged property or any part thereof or any lien, rights, powers or remedies of the Trustee hereunder, or any lien, rights, powers or remedies of the holders of the bonds, but such lien, rights, powers and remedies of the Trustee and of the bondholders shall continue unimpaired as before.

Any moneys thus collected by the Trustee or received by the Trustee under this Section 7.16 shall be applied by the Trustee, first, to the payment of the expenses, disbursements and compensation of the Trustee, its agents, attorneys and counsel, and, second, toward payment of the amounts then due and unpaid upon such bonds in respect of which such money shall have been collected, ratably and without any preference or priority of any kind, according to the amounts due and payable upon such bonds respectively at the date fixed by the Trustee for the distribution of such moneys, but only upon presentation of the several bonds and upon stamping such payment thereon if partly paid and upon surrender thereof if fully paid.

SECTION 7.17. All rights of action and claims under this Indenture or any of the bonds outstanding hereunder, enforceable by the Trustee, may be enforced by the Trustee without the possession of any of such bonds or the production thereof on the trial or other proceedings relative thereto; and any such suit or proceedings instituted by the Trustee shall be brought in its own name for the ratable benefit of the registered owners of said bonds, subject to the provisions of this Indenture.

SECTION 7.18. No delay or omission of the Trustee or of any owner of bonds outstanding hereunder to exercise any right or power

accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by this Indenture to the Trustee or to the owners of bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by such owners.

SECTION 7.19. All rights, remedies and powers provided by this Article VII may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article VII are intended to be subject to all applicable mandatory provisions of law that may be controlling in the premises and to be limited to the extent necessary so that they will not render this Indenture invalid, unenforceable or not entitled to be recorded or filed under the provisions of any applicable law.

ARTICLE VIII.

EVIDENCE OF RIGHTS OF BONDHOLDERS.

Any request or other instrument which this Indenture may require or permit to be signed and executed by the owners of bonds may be in any number of concurrent instruments of similar tenor and may be signed and executed by such owners in person or by attorney appointed in writing. The fact and date of the execution by any person of any such request or other instrument, or of a writing appointing any such attorney, shall be sufficiently proved for any purpose of this Indenture by the certificate of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in the Commonwealth of Pennsylvania, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness to such execution.

The ownership of bonds shall be proved by the registry books of the Company herein provided for or by a certificate of the custodian thereof.

The Trustee may nevertheless in its discretion require further proof in cases where it deems further proof desirable, and may require the production of any bond or bonds, and shall not be bound to recognize any person as the owner thereof unless and until his title

to the bonds held by him is proved in a manner satisfactory to the Trustee.

Any request, consent or assent of the registered owner of any bond shall bind all future owners of the same bond, or any bond or bonds issued in lieu thereof or in exchange therefor, in respect of anything done, omitted or suffered by the Trustee in pursuance thereof.

ARTICLE IX.

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS AND DIRECTORS.

No recourse under or upon any obligation, covenant or agreement contained in this Indenture or in any indenture supplemental hereto, or in any bond hereby secured, or because of any indebtedness hereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that this Indenture, any indenture supplemental hereto and the obligations hereby and thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness hereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in this Indenture or in any indenture supplemental hereto or in any of the bonds hereby secured, or implied therefrom.

ARTICLE X.

EFFECT OF MERGER, CONSOLIDATION OR SALE; RIGHT OF SUCCESSOR CORPORATION TO EXCHANGE BONDS.

SECTION 10.01. Nothing in this Indenture contained shall prevent any consolidation or merger of the Company with or into, or any conveyance or transfer, subject to the lien of this Indenture, of all or substantially all of the mortgaged property as an entirety or substantially

as an entirety or any lease of all or substantially all of the mortgaged property as an entirety or substantially as an entirety, to any corporation lawfully entitled to acquire or lease and operate the same; provided, however, and the Company covenants and agrees, that (a) any such consolidation, merger, conveyance, transfer or lease shall be upon such terms as shall in no respect impair the lien of this Indenture or any of the rights or powers of the Trustee or the owners of bonds issued hereunder, (b) any such lease shall be made expressly subject to immediate termination by the Company and also by the Trustee or by any trustee appointed hereunder at any time during the continuance of a default hereunder and also by the purchaser of the property so leased at any sale thereof hereunder, whether such sale be made under the power of sale hereby conferred or under judicial proceedings, and (c) upon any such consolidation, merger, conveyance or transfer, the corporation formed by such consolidation or into which such merger shall have been made or acquiring such property as aforesaid shall assume and agree to pay, duly and punctually, the principal of and any premium which may be due and payable on and the interest on the bonds then outstanding hereunder, in accordance with the provisions of said bonds and of this Indenture and all indentures supplemental hereto, and shall agree to perform, observe and fulfill, duly and punctually, all the terms, covenants and conditions of this Indenture and of all indentures supplemental hereto to be performed, observed or fulfilled by the Company, subject to the provisions of Section 10.03.

Section 10.02 In case the Company, pursuant to Section 10.01, shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of this Indenture, the corporation resulting from such consolidation or into which the Company shall have been merged or which shall have received a conveyance or transfer as aforesaid (such corporation being hereinafter called the "successor corporation") shall upon execution and causing to be recorded, an indenture with the Trustee, satisfactory to the Trustee, whereby the successor corporation shall assume and agree to pay, duly and punctually, the principal of and any premium which may be due and payable on and the interest on the bonds issued hereunder and secured hereby in accordance with

the provisions of said bonds and of this Indenture and all indentures supplemental hereto, and shall agree to perform, observe and fulfill, duly and punctually, all the terms, covenants and conditions of this Indenture and any indentures supplemental hereto to be performed, observed or fulfilled by the Company, subject to the provisions of Section 10.03 shall succeed to and be substituted for the Company, with the same effect as if it had been named herein as the mortgagor company, and the successor corporation hereupon may cause to be signed, issued and delivered either in its own name, or in the name of the Company unless the Company shall have received a release pursuant to Section 10.07, any or all of such bonds which shall not theretofore have been signed by the Company and authenticated by the Trustee; and, upon the order of the successor corporation in lieu of the Company, and subject to all the terms, conditions and restrictions in this Indenture contained with respect to the authentication and issue of bonds, the Trustee shall authenticate and deliver any of such bonds which shall have been previously signed and delivered by the officers of the Company to the Trustee for authentication, unless the Company shall have received a release pursuant to Section 10.07, and any of such bonds which the successor corporation shall thereafter, in accordance with the provisions of this Indenture, cause to be signed and delivered to the Trustee for such purpose. All the bonds so issued shall in all respects have the same legal rank and security as the bonds theretofore or thereafter issued in accordance with the terms of this Indenture, as though all of said bonds had been issued at the date of the execution hereof; provided, however, that as a condition precedent to the execution by the successor corporation and the authentication and delivery by the Trustee of any such additional bonds, or the exercise by the successor corporation of any other privilege conferred upon the Company by this Indenture or any indenture supplemental hereto which requires the delivery of a Capitalization Certificate, the indenture with the Trustee to be executed by the successor corporation as in this Section 10.02 provided, or one or more subsequently executed supplemental indentures, shall contain a conveyance, assignment or transfer in terms sufficient to subject to the lien of this Indenture all properties of the character described in the granting clauses of this Indenture as subject to the lien hereof which have not previously been conveyed, assigned or transferred to the Trustee and which are within one of the categories described in clauses (a), (b), (c) and (d)

of Section 10.03; and provided further that the lien created thereby shall have similar force, effect and standing, subject to the provisions of Section 10.03, as the lien of this Indenture would have if the Company had not been consolidated with or merged into such other corporation or had not conveyed or transferred, subject to the lien of this Indenture, all or substantially all of the mortgaged property as an entirety or substantially as an entirety, as aforesaid, to the successor corporation, and had itself purchased, constructed, erected or otherwise acquired said properties and requested the authentication and delivery of bonds, or the exercise of such other privilege, under the provisions of this Indenture.

The Trustee may receive an Opinion of Counsel as conclusive evidence that any such indenture executed by the successor corporation complies with the foregoing conditions and provisions of this Section 10.02, and that any such corporation is lawfully entitled to acquire the mortgaged property as an entirety or substantially as an entirety and to operate the same, and that all other pertinent provisions of this Article X have been complied with.

SECTION 10.03. In case the Company, pursuant to Section 10.01, shall be consolidated with or merged into any other corporation, or shall convey or transfer, subject to the lien of this Indenture, all or substantially all of the mortgaged property as an entirety or substantially as an entirety, as aforesaid, neither this Indenture nor the indenture with the Trustee to be executed and caused to be recorded by the successor corporation as provided in Section 10.02 shall, unless such indenture shall otherwise expressly provide, become or be a lien upon any of the properties or franchises of the successor corporation except (a) those acquired by it from the Company, (b) property received in exchange for property released from the lien hereof, (c) such franchises, replacements and additional property as may be acquired by the successor corporation in pursuance of the covenants herein contained to maintain, preserve and renew the franchises covered by this Indenture and to keep and maintain the property covered by this Indenture in good repair, working order and condition or in pursuance of some other covenant or agreement hereof to be kept or performed by the Company, and (d) permanent improvements, extensions and additions appurtenant to any property described in clauses (a), (b) and (c) of this Section 10.03.

SECTION 10.04. In case the Company, pursuant to Section 10.01, shall be consolidated with or merged into any other corporation, or shall convey or transfer, subject to the lien of this Indenture, all or substantially all of the mortgaged property as an entirety or substantially as an entirety, as aforesaid, and the successor corporation shall be a corporation which conducts substantially all of its business in the same state as did the Company immediately prior to such event and which is authorized to conduct the utility business of the Company in said state, such successor corporation may elect to exchange its bonds for the bonds outstanding under this Indenture (hereinafter in this Article X called the "Company bonds") in the manner hereinafter described.

The successor corporation shall, at least ten (10) days prior to the date fixed for such exchange (hereinafter called the "exchange date"), mail by registered mail, postage prepaid, to the registered owners of the Company bonds, at their addresses as the same shall appear, if at all, upon the registry books of the Company, a notice to the effect that the successor corporation has elected to exchange the Company bonds pursuant to the provisions of this Section 10.04, specifying the exchange date, and stating that upon the surrender of the Company bonds at the office of the Trustee such bonds will be exchanged for bonds of the successor corporation in accordance with the provisions of this Section 10.04.

When notice shall have been given as aforesaid and when the Trustee shall have received all of the items described below in paragraphs 1, 2, 3 and 4 of this Section 10.04, then, notwithstanding that any Company bonds shall not have been surrendered for exchange, upon the exchange date (a) no further interest shall accrue on any of such bonds and all such bonds shall be deemed to have been paid in full as between the successor corporation and the respective owners thereof and shall no longer be deemed to be outstanding hereunder, and the successor corporation shall be under no further liability in respect thereof, and (b) this Indenture and the estate and rights hereby granted shall cease, determine and be void and the Trustee shall, upon the request of the successor corporation and at its expense, cancel and discharge the lien of this Indenture and execute and deliver to the successor corporation such deeds or other instruments as shall be requisite to satisfy the lien hereof, and shall convey to the successor corporation the estate and title hereby conveyed, and

shall assign and deliver to the successor corporation any property hereby conveyed and subject to the lien of this Indenture which may then be in its possession.

The items to be received by the Trustee as aforesaid are the following:

1. Bonds of the successor corporation (hereinafter called the "successor corporation bonds") issued under a mortgage (hereinafter called the "successor corporation mortgage"), constituting a lien on the mortgaged property and all other property of the successor corporation of the same character as the mortgaged property, subject to no lien except Permitted Encumbrances, which successor corporation mortgage shall be executed and delivered to a bank or trust company (hereinafter called the "successor corporate trustee") of recognized standing in the corporate trust business, as trustee, and which bonds shall be equal in principal amount to the Company bonds and shall be authenticated on, and bear interest from, the exchange date; together with an amount in cash equal to accrued interest to the exchange date on such Company bonds.

2. A copy of a resolution, certified to have been adopted by the Board of Directors of the successor corporation, requesting the Trustee to accept the successor corporation bonds and to deliver the same to the registered owners of the Company bonds upon surrender thereof and to cancel and discharge the lien of this Indenture on the exchange date.

3. Copies of such documents as would be required to be filed with the Trustee in connection with the issuance of bonds under the provisions of Section 2.04, from which documents it shall appear that bonds equal in principal amount to the bonds to be outstanding under the successor corporation mortgage, after giving effect to such exchange, could have been issued under this Indenture had there been no bonds outstanding thereunder at the time, and which documents shall contain variations appropriate to an application by the successor corporation (rather than the Company) for the authentication and delivery of bonds by the successor corporate trustee (rather than the Trustee) under the successor corporation mortgage (rather than the Indenture),

and such other variations in form as shall be appropriate for such purpose.

4. An Opinion of Counsel to the effect that the successor corporation bonds are identical with the Company bonds in respect of maturity date, principal amount, rate of interest, redemption prices and restrictions on redemption, and that otherwise the successor corporation bonds and the successor corporation mortgage contain provisions, in respect of the protection afforded the registered owners of bonds, comparable to the provisions of the Company bonds and this Indenture, allowing for differences of form and minor substance (which opinion as to comparability may rely upon appropriate certificates of officers of the Company, the successor corporation, and their accountants), and that the successor corporation mortgage constitutes a lien on the mortgaged property and all other property of the successor corporation of the same character as the mortgaged property, subject to no lien except Permitted Encumbrances.

Upon surrender of the Company bonds by the registered owners thereof, the Trustee shall deliver to said registered owners successor corporation bonds, issued as aforesaid, together with an amount in cash equal to accrued interest to the exchange date on such Company bonds, and shall cancel the Company bonds and, on the written request of the successor corporation, deliver the same to the successor corporation.

SECTION 10.05. The word "Company," wherever contained in this Indenture, shall include any successor corporation as in this Article X defined, and the word "seal," wherever contained in this Indenture, shall include the seal of the successor corporation, and any order, request, certificate or other instrument of any officer or officers of the Company provided for in this Indenture may be made by like officials of the successor corporation, and any resolution provided to be adopted by the Board of Directors of the Company may be adopted by the board of directors or board of trustees, as the case may be, of the successor corporation.

SECTION 10.06. At any time prior to the exercise of any power by this Article X reserved to the Company or to such successor corpo-

ration, the Company or such successor corporation may surrender any power so reserved by delivering to the Trustee an instrument in writing, executed by its President or a Vice-President under its corporate seal, attested by its Secretary or an Assistant Secretary, accompanied by the affidavit of its Secretary or an Assistant Secretary that the execution of such instrument was duly authorized by the vote of two-thirds of the entire Board of Directors of the Company or board of directors or board of trustees, as the case may be, of such successor corporation, given at a meeting duly called and held, and thereupon the power so surrendered shall cease.

SECTION 10.07. In case the Company shall convey or transfer, subject to the lien of this Indenture, all or substantially all of the mortgaged property as an entirety or substantially as an entirety and the successor corporation to which such conveyance or transfer is made shall have complied with the provisions of Section 10.02 or Section 10.04, the Trustee shall execute, acknowledge and deliver to the Company a complete release and discharge from all of the Company's obligations under this Indenture, all indentures supplemental hereto and all of the bonds then outstanding under this Indenture, provided there has been delivered to the Trustee a written request of the Company for such release and a certificate, signed by the President or a Vice President and by the Secretary or an Assistant Secretary or the Treasurer or an Assistant Treasurer of the Company, stating that such release is not contrary to the terms and conditions of such conveyance or transfer to the successor corporation.

ARTICLE XI.

CONCERNING THE TRUSTEE.

The Trustee accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions hereof, including the following, to all of which the Company and the respective owners of the bonds at any time outstanding by their acceptance thereof agree:

SECTION 11.01. The Trustee undertakes, except while an event of default shall have occurred and be continuing, to exercise such duties and only such duties as are specifically set forth in this Indenture and, while such an event of default shall have occurred and be continuing, to exercise such of the rights and powers vested in it by this

Indenture, and to use the same degree of care and skill in their exercise, as an ordinary prudent man would do or use under the circumstances in the conduct of his own affairs.

Except as in this Indenture or any indenture supplemental hereto otherwise expressly provided:

(1) unless an event of default shall have occurred and be continuing, the Trustee shall not be under any obligation to take any action or make any investigation in respect of the subject matter of this Indenture or any indenture supplemental hereto unless requested in writing so to do by the registered owners of not less than twenty-five per cent. (25%) in principal amount of the bonds then outstanding; and

(2) whether or not an event of default shall have occurred, the Trustee shall not be under any obligation to take any action under this Indenture or any indenture supplemental hereto which in its opinion may tend to involve it in any expense or liability, the payment of which is not, in the opinion of the Trustee, assured to it by the security afforded it by the terms of this Indenture, unless and until requested in writing so to do by one or more registered owners of bonds outstanding hereunder and furnished, from time to time as it may require, with reasonable security and indemnity satisfactory to it; provided, however, that no security or indemnity so furnished to the Trustee shall be applicable to any liability (a) which is incurred by the Trustee as a result of any action taken by the Trustee not reasonably in accordance with the request or requests delivered to the Trustee by those furnishing such security, or (b) which is finally determined by a court of competent jurisdiction to be a liability imposed upon the Trustee as a result of its default or negligence in the performance of the duties imposed upon or undertaken by the Trustee by the terms of this Indenture or any indenture supplemental hereto.

The Trustee may accept and rely conclusively upon any notice, request, consent, certificate, bond, or other document or paper reasonably believed by it to be genuine and to have been signed and presented by the proper person and duly authorized and properly made.

The recitals and statements contained herein and in the bonds issued hereunder shall not be considered as made by or as imposing

any obligation or liability upon the Trustee. The Trustee makes no representation as to the validity of this Indenture or of any indenture supplemental hereto, or of any bonds issued hereunder, or as to the security hereby or thereby afforded, or as to the title of the Company to the mortgaged property or as to the descriptions thereof. The Trustee shall be under no obligation to see to the recording, re-recording, registration, re-registration, filing or re-filing of this Indenture or of any indenture supplemental hereto or of any instrument of further assurance, or to the giving of any notice thereof, or to see to the delivery to it of any property intended to be mortgaged or pledged hereunder, or generally to see that any of the property intended now or hereafter to be conveyed in trust hereunder is subject to the lien hereof. The Trustee shall not be accountable for the use of any bond delivered hereunder or the application of the proceeds of the same, or for the application of any moneys paid to the Company under any of the provisions hereof.

It shall not be any part of the duties of the Trustee to keep itself informed or advised in respect of the payment of any taxes or assessments or to require payment thereof to be made. Any law of the United States or of any State, whether now in force or hereafter enacted, to the contrary notwithstanding, the Trustee shall be under no obligation to pay any taxes or assessments of any kind or character upon or in respect of the mortgaged property or the mortgage debt or the lien created or evidenced by this Indenture or of any other tax or assessment of any kind or character levied or imposed by reason of this Indenture or of the indebtedness secured hereby, nor shall the Trustee be liable because of the non-payment of any such tax or assessment.

The Trustee shall have no duty to effect, renew or maintain, or to see to the maintenance by the Company of, insurance on any property at any time subject to the lien hereof, or to see to the reputability of any insurance company or association, or to supervise the collection or application of the proceeds of any insurance policy, or to keep itself advised or informed as to the payment of insurance premiums or the maintenance or application of any insurance reserve fund.

Except as in this Indenture expressly provided, it shall not be any part of the duties of the Trustee to keep itself informed or advised in respect to the payment of any mechanic's, laborer's, statu-

tory or other lien which may hereafter be created or remain upon property subject to the lien of this Indenture, or any part thereof, or the income therefrom.

Except as in this Indenture otherwise expressly provided, the Trustee shall be under no duty to see to the expenditure for maintenance or reserve for depreciation provided for in Section 3.13 or to compliance by the Company with the provisions of Section 3.06.

The Trustee may select and employ hereunder suitable appraisers, accountants, surveyors, engineers, agents and attorneys-in-fact, either corporate or individual, and for their default and misconduct, if selected with reasonable care (unless such persons are officers, directors or persons in the regular employ of the Trustee), the Trustee shall be in no wise responsible. The Trustee shall not be liable for any error in judgment in the exercise of its discretion hereunder; but the Trustee may in its discretion consult legal counsel (who may be of counsel to the Company), to be selected and employed by it at the expense of the Company, and shall be fully protected in any action under this Indenture taken, suffered or omitted by it in good faith in accordance with the opinion of such counsel. Finally and generally, the Trustee shall not be personally liable save for its own default or negligence.

The Company agrees that it will from time to time, on demand, pay to the Trustee reasonable compensation for its services, reimburse the Trustee for all its expenditures, including fees and expenses of independent appraisers, accountants, surveyors, engineers, counsel, agents and attorneys-in-fact or other experts employed by it in the exercise and performance of its powers and duties hereunder, and indemnify and save the Trustee harmless against any liabilities, not arising from its own default or negligence, which it may incur in the exercise and performance of its powers and duties hereunder; and, as security for such indemnification, reimbursement and compensation, the Trustee shall have the benefit of the lien hereby created in priority to the indebtedness evidenced by the bonds issued hereunder.

Whenever, in the administration of the trusts created by this Indenture, the Trustee shall deem it necessary or desirable that any matter be proved or established prior to its taking or suffering or omitting any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by

the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company and delivered to the Trustee, and such certificate shall be full warrant and authority to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture in reliance thereon; but the Trustee in its discretion may, and if requested in writing so to do by the registered owners of not less than twenty-five per cent (25%) in principal amount of the bonds then outstanding and furnished with reasonable security and indemnity satisfactory to it against the costs and expenses of such examination shall, require such further and additional evidence and make such further investigation as to it may seem reasonable. The agents and representatives of the Trustee and any experts or counsel whose opinions are required by the Trustee for any purpose hereunder or are deliverable to the Trustee under any provision hereof shall likewise be fully warranted in relying and acting upon the existence of any matters proved or established by any such certificate, unless other evidence establishing such fact or facts be specifically required by this Indenture.

The Trustee shall, subject to the provisions of Section 6.05, allow and (so long as the Company is not in default under this Indenture to the knowledge of the Trustee) shall pay over to the Company interest upon any moneys which it may at any time receive or hold as part of the trust estate under any of the provisions of this Indenture at such rates as shall at the time be customarily allowed by it upon other funds of similar character or as shall be agreed upon from time to time between the Company and the Trustee.

The Trustee or any corporation in or with which the Trustee or its stockholders may be interested or affiliated, or any officer or director of the Trustee or of any other such corporation, may acquire and hold bonds issued hereunder and otherwise deal with the Company or with any other corporation having relations with the Company, in the same manner and to the same extent and with like effect as though it were not the Trustee.

Except as herein otherwise provided, any notice or demand which by any provision of this Indenture is required or permitted to be given or served by the Trustee on the Company shall be deemed to have been sufficiently given and served for all purposes by being deposited, postage prepaid, in a post office letter box in the city in which the principal office of the Trustee is located, addressed to the Company at its mailing address stated in Article XVI.

No implied covenant shall be read into this Indenture against the Trustee, but the duties and obligations of the Trustee to the Company and to all others shall be determined solely by the express provisions of this Indenture.

Except when otherwise in this Indenture expressly provided, any order, request, notice, consent or other instrument in writing to be delivered or furnished by the Company to the Trustee shall be sufficiently executed if signed, whether in the name of the Company or not, by its President or a Vice-President and by its Secretary or an Assistant Secretary or its Treasurer or an Assistant Treasurer, or by such officer or officers as the Board of Directors of the Company may by resolution direct. A copy of any resolution of the Board of Directors to be delivered or furnished by the Company to the Trustee shall be sufficiently certified if certified by the Secretary or an Assistant Secretary of the Company under its corporate seal.

SECTION 11.02. The Trustee may resign and be discharged from the trusts created by this Indenture by giving notice of resignation to the Company in writing, and to the owners of the bonds outstanding hereunder in the manner hereinafter stated, specifying a date when such resignation shall take effect, and the resignation shall take effect on the day so specified unless prior thereto a successor trustee shall have been appointed as provided in Section 11.03, in which event the resignation shall take effect immediately upon the appointment of such successor trustee. The Trustee shall give notice of resignation to the owners of the bonds by mailing the notice by registered mail, postage prepaid, to the registered owners of the bonds at their addresses as the same shall appear, if at all, upon the registry books of the Company.

The Trustee may be removed at any time by an instrument or instruments in writing, executed by the registered owners of a majority in principal amount of the bonds then outstanding and filed with the Trustee.

SECTION 11.03. In case at any time the Trustee shall resign or shall be removed or otherwise shall become incapable of acting, a successor may be appointed by the registered owners of a majority in principal amount of the bonds then outstanding, by an instrument or instruments in writing executed by such owners and filed with

the successor trustee; but, until a new trustee shall be appointed by the owners of bonds as herein authorized, the Company, by an instrument in writing executed by order of its Board of Directors and filed with the successor trustee, shall appoint a trustee to fill such vacancy. After any such appointment by the Company, it shall mail notice thereof by registered mail, postage prepaid, to the registered owners of such bonds at their addresses as the same shall appear, if at all, upon the registry books of the Company. Any new trustee so appointed by the Company shall immediately and without further act be superseded by a trustee appointed by the registered owners of a majority in principal amount of said bonds in the manner hereinabove provided.

If in a proper case no appointment of a successor trustee shall be made pursuant to the foregoing provisions of this Article XI within six months after a vacancy shall have occurred in the office of trustee, the registered owner of any bond hereby secured or the retiring trustee may apply to any court of competent jurisdiction to appoint a successor trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint a successor trustee.

Any successor trustee appointed hereunder shall execute, acknowledge and deliver to the Company and the retiring trustee an instrument accepting such appointment, and thereupon such successor trustee, without any further act, deed, conveyance or transfer, shall become vested with the title to the mortgaged property, with all the rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named as trustee herein. Upon the request of such successor trustee, however, the Company and the trustee ceasing to act shall execute and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor trustee all the right, title and interest of the trustee ceasing to act in and to the mortgaged property and all such rights, powers, trusts, duties and obligations, and the trustee ceasing to act shall also assign and deliver to the successor trustee any property subject to the lien of this Indenture which may then be in its possession.

Except as hereinafter provided in Section 11.05, every successor trustee hereunder shall always be a state or national bank or trust company in good standing, organized under the laws of the State of

New York or of the Commonwealth of Pennsylvania or of the United States of America and doing business in the City of New York or in the Commonwealth of Pennsylvania, having a combined capital and surplus aggregating at least Two million five hundred thousand Dollars (\$2,500,000), if there be such a bank or trust company willing and able to accept such trust upon reasonable and customary terms.

SECTION 11.04. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any state or national bank or trust company in any manner succeeding to the corporate trust business of the Trustee or of any successor trustee as a whole or substantially as a whole, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, notwithstanding anything to the contrary contained herein. In case any of the bonds shall have been authenticated but not delivered, any such successor trustee may adopt the certificate of the Trustee and deliver the same so authenticated; and in case any of such bonds shall not have been authenticated, any such successor trustee may authenticate such bonds in the name of such successor trustee.

SECTION 11.05. At any time or times, for the purpose of conforming to any legal requirements, restrictions or conditions in any state in which any part of the trust estate may be located, the Company and the Trustee shall have power to appoint, and, upon the request of the Trustee, the Company shall for such purpose join with the Trustee in the execution, delivery and performance of any instruments and agreements necessary or proper to appoint, another corporation or one or more persons, approved by the Trustee, to act either as separate trustee or trustees or as co-trustee or co-trustees jointly with the Trustee of all or any part of the trust estate.

Such separate trustee or trustees or co-trustee or co-trustees shall have such powers and duties as shall be conferred or imposed by the terms of its or their appointment; but every such separate trustee or co-trustee shall, to the extent permitted by law, be appointed subject to the following provisions and conditions, namely:

(1) Bonds issued hereunder shall be authenticated and delivered, and all powers, duties, obligations and rights conferred upon the Trustee in respect of the custody of all obligations and other securities and of all cash pledged or deposited hereunder shall be exercised, solely by The Fidelity Bank or its successor in the trust hereunder, and any moneys at any time coming into the hands of any such separate trustee or trustees or co-trustee or co-trustees shall be at once paid over to The Fidelity Bank or its successor in the trust hereunder;

(2) No power shall be exercised hereunder by any such separate trustee or trustees or co-trustee or co-trustees except jointly or with the consent in writing of The Fidelity Bank or its successor in the trust hereunder;

(3) The Company and The Fidelity Bank or its successor in the trust hereunder, at any time by an instrument in writing executed by them jointly, may remove any separate trustee or co-trustee appointed under this Section 11.05, and may likewise and in like manner appoint a successor to such separate trustee or co-trustee so removed or who shall resign or become incapable of acting, anything herein contained to the contrary notwithstanding; and

(4) Any notice, request or other writing delivered solely to The Fidelity Bank or its successor in the trust hereunder shall be deemed to have been delivered to all of the trustees as effectually as if delivered to each of them.

ARTICLE XII

SUPPLEMENTAL INDENTURES.

SECTION 12.01. In addition to any supplemental indenture otherwise authorized or permitted by this Indenture, the Company, pursuant to resolutions adopted by its Board of Directors and with the formal authorization, approval or consent of any governmental body or bodies at the time having jurisdiction in the premises as may at the time be required, may, at any time and from time to time, subject to the conditions and restrictions in this Indenture contained, execute an indenture or indentures supplemental hereto, which thereafter shall form a part hereof, for any one or more or all of the following purposes:

(a) To add to the conditions, limitations and restrictions of the authorized amount, terms, provisions, purposes of issue, authentication and delivery of bonds specified in Article I and Article II hereof, other conditions, limitations and restrictions thereafter to be observed with respect to the bonds or for the sole benefit (subject to the provisions of Article VII hereof) of any one or more series thereof;

(b) To add to the covenants and agreements of the Company contained in this Indenture, other covenants and agreements thereafter to be observed with respect to the bonds or for the sole benefit (subject to the provisions of Article VII hereof) of any one or more series thereof;

(c) To provide for the creation of any series of bonds other than bonds of the 7 $\frac{3}{8}$ % Series, as more fully set forth in paragraph 2 of Section 2.03;

(d) To evidence the succession of another corporation to the Company, or successive successions, and the assumption by a successor corporation of the covenants and obligations of the Company and the acceptance by a successor corporation of the provisions contained in the bonds issued hereunder and in this Indenture and in any and every supplemental indenture;

(e) To convey, transfer and assign to the Trustee, and to subject to the lien of this Indenture, with the same force and effect as though included in the granting clauses hereof, additional properties, rights and franchises hereafter acquired by the Company through consolidation or merger, or by purchase or in any other manner whatsoever;

(f) To cure any ambiguity, or to cure, correct or supplement any defect or inconsistent provision contained in this Indenture or in any indenture supplemental hereto;

(g) To add to the powers, duties or obligations of the Trustee, or to impose requirements, in addition to those set forth in Section 11.03 hereof, with respect to the qualification or disqualification of any bank or trust company to act as trustee under this Indenture, but no such supplemental indenture shall be made without the consent of the Trustee;

(h) To authorize the issuance hereunder of coupon bonds of one or more series, and to make appropriate provision in connection therewith for notices to the holders of such bonds, transfer of such bonds by delivery, and other matters characteristic of such bonds; and

(i) To modify, amend or supplement this Indenture, or any indenture supplemental hereto, in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, except that nothing contained herein shall authorize the inclusion in any indenture supplemental hereto of the provisions referred to in Section 316(a)(2) of said Act or any corresponding provision provided for in any similar federal statute hereafter in effect.

SECTION 12.02. The Trustee is hereby authorized to join with the Company in the execution of any supplemental indenture authorized or permitted by the provisions of this Indenture and to make the further agreements and stipulations which may be contained therein, and the Trustee in executing any supplemental indenture shall be fully protected in relying on the Opinion of Counsel that such supplemental indenture is authorized or permitted by the provisions of this Indenture and is not inconsistent therewith.

ARTICLE XIII.

DEFEASANCE.

If the Company, or its successors or assigns, shall pay or cause to be paid unto the registered owners of all bonds the principal and interest to become due thereon and any premium which may be due and payable thereon at the times and in the manner stipulated therein, and if the Company shall keep, perform and observe all and singular the covenants and promises in said bonds and in this Indenture and in every indenture supplemental hereto expressed to be kept, performed and observed by it or on its part, then (at the option of the Company, evidenced by a Certified Resolution) this Indenture and the estate and the rights hereby granted shall cease, determine and be void, and thereupon the Trustee shall, upon the request of the Company and at its expense, cancel and discharge the lien of this Indenture, and execute and deliver to the Company such deeds or

other instruments as shall be requisite to satisfy the lien hereof, and shall re-convey to the Company the estate and title hereby conveyed, and shall assign and deliver to the Company any property hereby conveyed and subject to the lien of this Indenture which may then be in its possession. Bonds for the payment or redemption of which sufficient moneys shall have been deposited with or paid to or set apart in trust by the Trustee (whether upon or prior to the maturity or the redemption date of such bonds) shall, for the purposes of this Article XIII, be deemed to have been paid; provided, however, that if said bonds are to be redeemed prior to the maturity thereof the notice of redemption thereof required by the provisions of this Indenture or of any indenture supplemental hereto shall have been duly given, or provision satisfactory to the Trustee shall have been made for the giving of such notice.

ARTICLE XIV.

MISCELLANEOUS PROVISIONS.

SECTION 14.01. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon or to give to any person or corporation, other than the parties hereto and the registered owners of the bonds issued hereunder, any right, remedy or claim under or by reason of this Indenture or any indenture supplemental hereto, or any covenant, condition or stipulation hereof or thereof; and the covenants, stipulations and agreements in this Indenture and in any and all indentures supplemental hereto contained are and shall be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and of the registered owners of the bonds issued hereunder.

SECTION 14.02. Whenever in this Indenture one of the parties hereto is named or referred to, the successors and assigns of such party shall be deemed to be included, and all the covenants, promises and agreements in this Indenture contained by or on behalf of the Company or by or on behalf of the Trustee shall bind and enure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 14.03. All moneys deposited with or paid to or set apart in trust by the Trustee for the redemption of bonds or for the payment of bonds issued hereunder upon the maturity thereof, or other-

wise, shall be held by the Trustee in trust for the account of the respective registered owners of such bonds and shall be paid, when due, to the respective registered owners of such bonds, upon presentation and surrender of said bonds accompanied by such duly executed instruments of transfer as may be required by the Company or the Trustee. Any such moneys remaining unclaimed by the registered owners of such bonds for six years after the date of maturity or the date fixed for redemption, as the case may be, shall, upon the written request of the Company therefor and if none of the events of default specified in Section 7.01 shall to the knowledge of the Trustee have happened and be continuing, be paid to the Company against its written receipt therefor, and the registered owners of such bonds shall thereafter be entitled to look only to the Company for payment thereof; provided, however, that the Trustee, before being required to make any such payment to the Company, may, at the expense of the Company, cause a notice, stating that such moneys remain unclaimed and that after a date stated therein they will be returned to the Company, to be published once in one daily newspaper printed in the English language and of general circulation in the City of Philadelphia, Pennsylvania.

SECTION 14.04. Any reference to the registered owners of a particular percentage or proportion of the bonds, or of bonds of a particular series, shall mean the registered owners at the particular time of the specified percentage or proportion in aggregate principal amount of all bonds then outstanding, or of all bonds of the particular series then outstanding, as the case may be, exclusive of bonds owned or held by, for the account of, or for the benefit or interest of the Company. The Trustee (unless written objection is filed by the registered owner of one or more bonds) shall be entitled conclusively to rely upon a notification in writing by the Company specifying the principal amount of bonds owned or held by, for the account of, or for the benefit or interest of the Company, or stating that no bonds are so owned or held.

SECTION 14.05. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Company of any bonds, the Trustee may, upon request of the Company, in lieu of such delivery, destroy or cremate such bonds and deliver a certificate of such destruction or cremation to the Company.

SECTION 14.06. In case any one or more of the covenants or agreements contained in this Indenture or in the bonds shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants or agreements contained herein and in the bonds shall be in no wise affected, prejudiced or disturbed thereby.

SECTION 14.07. This Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

ARTICLE XV.

AMENDMENT BY CONSENT OF BONDHOLDERS.

Amendments and modifications of this Indenture, or of any indenture supplemental hereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued under this Indenture, may be made with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent. (66 $\frac{2}{3}$ %) in principal amount of the bonds then outstanding under this Indenture and entitled to vote; provided that any amendment or modification which will affect the rights under this Indenture or any indenture supplemental hereto of the owners of one or more, but less than all, of the series of bonds outstanding under this Indenture may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent. (66 $\frac{2}{3}$ %) in total principal amount of the bonds of the series so affected then outstanding under this Indenture, and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of the registered owners of bonds outstanding under this Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of each registered owner of any bond affected thereby no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on any bond, or a reduction in the principal amount of any bond or the premium (if any) or the rate of interest thereon, or otherwise affect the terms of payment of the principal of, or premium (if any), or interest on, any bonds, or reduce the

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percentage of principal amount of bonds required by this Article XV for the taking of any action hereunder.

For all purposes of this Article XV, the Trustee shall be entitled to rely upon an Opinion of Counsel with respect to the extent, if any, as to which any amendment or modification pursuant to the provisions of this Article XV affects the rights under this Indenture or under any indenture supplemental hereto of any owners of bonds then outstanding.

A true copy of the text of any amendment or modification accomplished pursuant to this Article XV shall be mailed by the Trustee, postage prepaid, to the registered owners of all bonds then outstanding under this Indenture, at their addresses as the same shall appear, if at all, upon the registry books of the Company, not later than thirty (30) days after there shall have been filed with the Trustee written consents by the registered owners of the percentage of the principal amount of outstanding bonds required by this Article XV to approve such amendment or modification.

Unless a later date shall be specified in the written consents thereto, any amendment or modification approved by the registered owners of the percentage of the principal amount of outstanding bonds required by this Article XV shall become effective upon completion of the mailing specified in the next preceding paragraph and the filing with the Trustee of a Certified Resolution approving such amendment or modification. When effective in accordance with the next preceding sentence, such amendment or modification shall be conclusively binding upon the Company, the Trustee and the owners of all bonds outstanding under this Indenture, except as otherwise specifically provided in this Article; provided, that no such amendment or modification, or resolution of the Board of Directors of the Company, shall in any manner change or modify any of the rights or obligations of the Trustee without the Trustee's written assent thereto. Nothing in this Article XV contained shall be deemed or construed to authorize or permit any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the owners of bonds under any of the provisions of this Indenture or of the bonds.

Instruments supplemental to this Indenture embodying any amendment or modification of this Indenture, of any indenture supplemental hereto or of the rights and obligations of the Company or of the owners of the bonds outstanding under this Indenture may be exe-

cut by the Trustee and the Company and, upon demand of the Trustee or if so specified in the written consents to the amendment or modification, shall be executed by the Company and the Trustee.

ARTICLE XVI.

DEFINITIONS.

Wherever used in this Indenture or any indenture supplemental hereto, the following terms shall have the respective meanings set forth below, unless the context otherwise requires:

1. The term "Certified Resolution" shall mean a resolution or resolutions certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by its Board of Directors.

2. The term "Long Term Debt" shall mean the principal amount of all outstanding indebtedness maturing more than one year from the date incurred or assumed, or renewable or extendible by its terms beyond such one year, without reduction for any serial, sinking fund or other required payment due on or in respect of any such indebtedness, even though due within such year.

3. The term "mailing address," when used with reference to the Company, shall mean the address set forth beneath the signatures of the officers of the Company and the Trustee to this Indenture, or such other address as the Company may have furnished in writing to the Trustee.

4. The term "Opinion of Counsel" shall mean an opinion of counsel (who may be in the regular employ of, or of counsel to, the Company or a corporation affiliated with the Company), selected by the Board of Directors and satisfactory to the Trustee. Any Opinion of Counsel may rely upon statements of fact contained in an accompanying certificate of an officer or officers of the Company; and any such Opinion of Counsel may rely, insofar as it relates to titles to property or liens, charges or encumbrances thereon, upon any certified abstract of title, torrens certificate, guaranty policy or certificate issued by a reputable person, firm or corporation engaged in the business of insuring or guaranteeing titles to property, or opinion or certificate of other counsel.

provided that the Opinion of Counsel shall state that such reliance is reasonable and proper and provided that a copy of such other document so relied upon is furnished with said Opinion.

5. The terms "outstanding" or "issued and outstanding," when used with reference to bonds issued under this Indenture, shall mean, as of any particular time, all bonds authenticated and delivered by the Trustee under the Indenture, except

(a) bonds which have been satisfied, discharged and cancelled or delivered to the Trustee for cancellation;

(b) bonds or portions thereof for the payment or redemption of which moneys in the necessary amount shall have been deposited in trust with the Trustee or with any paying agent (other than the Company) or shall have been set aside and segregated in trust by the Company (if the Company shall act as its own paying agent), provided that, if such bonds are to be redeemed, notice of such redemption shall have been given as in this Indenture provided or provision satisfactory to the Trustee shall have been made for giving such notice;

(c) bonds for the exchange of which bonds of the successor corporation have been delivered to the Trustee, and notice of such exchange given, as provided in Section 10.04;

(d) bonds in lieu of which other bonds shall have been authenticated and delivered pursuant to the terms of Section 1.10; and

(e) bonds deposited with or held by the Trustee under any of the provisions of this Indenture, including any so held under a sinking fund or similar fund.

6. The term "Permitted Encumbrances" shall mean:

(a) any lien, charge or other encumbrance for the satisfaction of which money in the necessary amount has been deposited with the Trustee, or with the trustee or other holder of such lien, charge or encumbrance, or which will be retired prior to or simultaneously with the taking of the action applied for under this Indenture in connection with which reference is made to Permitted Encumbrances;

(b) liens of taxes or assessments for the current year and taxes or assessments not yet due and payable;

(c) liens, securing indebtedness which has neither been assumed by the Company nor upon which it customarily pays interest charges, existing upon real property, or rights in or relating thereto, which real property or rights were acquired for right-of-way purposes;

(d) workmen's, materialmen's, carriers', warehousemen's, landlords' and other similar liens incidental to construction or current operations and in respect of obligations which are not overdue;

(e) the lien of judgments covered by insurance, or on appeal and covered by supersedeas bond, or, if not covered by such insurance or bond, not exceeding at any one time \$25,000 in aggregate amount;

(f) zoning laws and ordinances;

(g) leases permitted by Section 5.01;

(h) easements, rights of way, restrictions, conditions and other similar encumbrances, minor defects or irregularities of title, and alleys, streets and highways that may run across or encroach upon property subject to the lien of this Indenture, which in the aggregate do not materially impair the usefulness of the mortgaged property in the present business of the Company;

(i) in the case of easements and rights of way owned by the Company, and rights to use or appropriate water or to overflow the lands of others, such defects therein as the Company itself shall have power to cure by appropriate legal proceedings;

(j) liens, charges or encumbrances which are being contested in good faith and by appropriate proceedings and, in the aggregate, do not materially and adversely affect the financial condition of the Company;

(k) liens of purchase money obligations and liens existing on property at the time of its acquisition by the Company or a successor corporation as defined in Article X;

(l) liens junior to this Indenture; and

(m) the prior lien, and all the provisions, of the Prior Mortgage, if any.

7. The term "Prior Mortgage" shall mean the Indenture dated as of December 1, 1937, from the Company to Chemical Bank & Trust Company (now Chemical Bank New York Trust Company) and Howard B. Smith (who has since been succeeded as individual trustee by Richard G. Pintard), as Trustees, and said Indenture as heretofore supplemented and amended, and as hereafter supplemented and amended for any purposes permitted thereby other than the creation of additional series of bonds thereunder.

8. The term "Total Capitalization" shall mean the total of the sums stated in subparagraphs (d), (e) and (f) of paragraph 1 of Section 2.04.

9. The term "utility business" shall mean the business of a water company or water utility.

10. The term "utility property" shall mean property used or useful in connection with the Company's utility business.

ARTICLE XVII.
APPLICABLE LAW.

This Indenture is made under, and shall be governed by, the laws of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, LEXINGTON WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and THE FIDELITY BANK has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

LEXINGTON WATER COMPANY

By

/s/ C. M. O'DAY

President.

[SEAL]

Attest:

/s/ H. A. RIDDLE, JR.

Secretary.

Signed, sealed and delivered by
Lexington Water Company in the
presence of:

/s/ JOSEPH V. REAPH, JR.

/s/ ROSEANNE PANCOAST

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THE FIDELITY BANK

By

/s/ J. F. McDONALD
Assistant Vice President.

[SEAL.]

Attest:

/s/ J. E. CROOKS
Assistant Secretary.

Signed, sealed and delivered
by The Fidelity Bank in the
presence of:

/s/ B. J. JOHNSON
/s/ C. COOL

The mailing address of the Company referred to in Article XVI
of the foregoing Indenture is 167 N. Upper Street, Lexington,
Kentucky 40501.

EXHIBIT A.

[FORM OF BOND OF THE 7 $\frac{3}{8}$ % SERIES]

No. AR- _____ \$
GENERAL MORTGAGE BOND, 7 $\frac{3}{8}$ % SERIES DUE JULY 1, 1993

[Name of Company], a corporation organized and existing under the laws of (hereinafter called the "Company," which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns, on the first day of July, 1993, at the principal office of the Trustee hereinafter named in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of

Dollars in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this bond (or, if this bond be dated prior to December 15, 1968, from the date hereof) until maturity, at the rate of seven and three-eighths per cent. (7 $\frac{3}{8}$ %) per annum, in like coin or currency, semi-annually on the fifteenth day of June and the fifteenth day of December in each year, commencing on the fifteenth day of December, 1968, and the balance of such interest at maturity.

This bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Indenture"), executed by the Company to The Fidelity Bank, as Trustee, dated as of May 1, 1968, to which Indenture and to all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the holders or registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may

otherwise vary as in the Indenture provided or permitted. This bond is one of the bonds described in the Indenture and designated therein as "General Mortgage Bonds, 7 $\frac{3}{8}$ % Series due July 1, 1993" (hereinafter referred to as the "bonds of the 7 $\frac{3}{8}$ % Series").

The lien of the Indenture on the property of the Company is subject to the lien of the Prior Mortgage defined in the Indenture.

The bonds of the 7 $\frac{3}{8}$ % Series are subject to redemption, in whole, or in part by lot, at any time and from time to time, at the option of the Company or pursuant to certain requirements of the Indenture, upon notice mailed by registered mail to the registered owners thereof, at least twenty five days before the redemption date, all on the conditions and in the manner provided in the Indenture; provided, however, that prior to July 1, 1978, no bonds of the 7 $\frac{3}{8}$ % Series may be redeemed by the use, or in anticipation of the receipt, of proceeds from any borrowing at an interest cost of less than seven and three-eighths per cent. (7 $\frac{3}{8}$ %) per annum, if such borrowing is by the Company or by an entity that directly or indirectly controls, or is controlled by or is under common control with, the Company and is for the purpose of providing funds to the Company for such redemption.

Bonds of the 7 $\frac{3}{8}$ % Series shall be redeemable at the redemption price at the time applicable (a) as set forth in the following Schedule A, if redeemed by the use, or in anticipation of the receipt, of moneys derived from the sale to, or other acquisition by or on behalf of, one or more governments or municipal corporations or other governmental subdivisions, bodies, authorities or agencies of any of the assets or stock of the Company or any of the assets of a subsidiary of the Company (including any such sale to or acquisition by an intermediary or intermediaries acquiring such assets or stock under an arrangement for the resale or other disposition thereof to one or more governments or municipal corporations or other governmental subdivisions, bodies, authorities or agencies), or (b) as set forth in the following Schedule B, if redeemed otherwise than as described in the preceding clause (a), in each case together with interest accrued on such bonds to the date fixed for their redemption:

Redemption Period (Both dates inclusive)	Schedule A Redemption Price (Percentage of Principal Amount)	Schedule B Redemption Price (Percentage of Principal Amount)
Prior to July 1, 1969	103.687	107.375
July 1, 1969 to June 30, 1970	103.534	107.068

Redemption Period (Both dates inclusive)	Schedule A Redemption Price (Percentage of Principal Amount)	Schedule B Redemption Price (Percentage of Principal Amount)
July 1, 1970 to June 30, 1971	103.380	106.761
July 1, 1971 to June 30, 1972	103.227	106.453
July 1, 1972 to June 30, 1973	103.073	106.146
July 1, 1973 to June 30, 1974	102.919	105.839
July 1, 1974 to June 30, 1975	102.766	105.531
July 1, 1975 to June 30, 1976	102.612	105.224
July 1, 1976 to June 30, 1977	102.458	104.917
July 1, 1977 to June 30, 1978	102.305	104.609
July 1, 1978 to June 30, 1979	102.151	104.302
July 1, 1979 to June 30, 1980	101.997	103.995
July 1, 1980 to June 30, 1981	101.844	103.687
July 1, 1981 to June 30, 1982	101.690	103.380
July 1, 1982 to June 30, 1983	101.536	103.073
July 1, 1983 to June 30, 1984	101.383	102.765
July 1, 1984 to June 30, 1985	101.229	102.458
July 1, 1985 to June 30, 1986	101.075	102.151
July 1, 1986 to June 30, 1987	100.922	101.843
July 1, 1987 to June 30, 1988	100.768	101.536
July 1, 1988 to June 30, 1989	100.614	101.229
July 1, 1989 to June 30, 1990	100.461	100.921
July 1, 1990 to June 30, 1991	100.308	100.614
July 1, 1991 to June 30, 1992	100.153	100.307
July 1, 1992 to maturity	100.000	100.000

If this bond, or any portion hereof, is called for redemption and payment thereof is duly provided for as specified in the Indenture, interest shall cease to accrue hereon or on such portion, as the case may be, from and after the date fixed for redemption.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Inden-

ture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium (if any) and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds in the manner hereinabove provided with respect to the redemption of bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered

owners of a majority in principal amount of the bonds outstanding (or, if such event of default be a default in the payment of any principal of or premium or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the bonds of the $7\frac{3}{8}\%$ Series.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds per cent. ($66\frac{2}{3}\%$) in principal amount of the bonds then outstanding under the Indenture and entitled to vote; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent. ($66\frac{2}{3}\%$) in total principal amount of the bonds of the series so affected then outstanding under the Indenture, and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this bond, or a reduction in the principal amount hereof or the premium (if any) or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium (if any) or interest on, this bond, or reduce the percentage of principal amount of bonds the consent of the owners of

which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds of the 7³/₈% Series, in authorized denominations, of a like aggregate principal amount; and the owner of any bond or bonds of the 7³/₈% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

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This bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until The Fidelity Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, [Name of Company] has caused this bond to be signed in its name by its President or a Vice-President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this bond to be dated

[Name of Company]

By

President.

Attest:

Secretary.

[FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE FOR BONDS
OF THE 7 $\frac{3}{8}$ % SERIES]

Trustee's Authentication Certificate

This bond is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

THE FIDELITY BANK,

as Trustee,

By

Authorized Officer.

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EXHIBIT B

(Lexington Water Company)

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The following described pieces or parcels of land situate in the County of Fayette, Commonwealth of Kentucky, more particularly described as follows:

PARCEL NUMBER 1

All that tract or parcel of land situated on the southerly side of the Richmond Road, west of the proposed New Circle Road, S. E., in Lexington, Fayette County, Kentucky, and more fully described and bounded as follows, to-wit:

Beginning at a point in the southerly right-of-way line of the Richmond Road, said point being a corner to Lakeview Estates, Inc.; thence with said southerly right-of-way line of the Richmond Road S 43° 03' E 174.55 feet to a corner with the City of Lexington (fire station site); thence with the City of Lexington (fire station site) for four calls, S 54° 57' W 106.4 feet, S 46° 56' W 99.64 feet, S 43° 03' E 157 feet and N 46° 57' E 205 feet to the aforesaid southerly right-of-way line of the Richmond Road; thence with the southerly right-of-way line of the Richmond Road S 43° 04' E 1162.25 feet to a corner with Howard Keller (now or formerly); thence with Keller (now or formerly) and continuing with Manila Lyman (now or formerly) and George B. Downing S 13° 55' W 1559.8 feet to the line of Lakeview Estates, Inc.; thence with Lakeview Estates, Inc. for ten calls, N 82° 54' W 181.0 feet, N 54° 56' W 271.0 feet, S 01° 45' E 6.1 feet, S 24° 56' W 653.8 feet, N 63° 07' W 2001.8 feet, N 46° 40' E 774.85 feet, N 46° 56' E 1724.4 feet, N 43° 03' W 24.46 feet, N 46° 56' E 299.55 feet and N 35° 37' E 174.64 feet to the beginning and containing 111.563 acres.

Being a portion of the lands acquired by the Lexington Water Company (formerly Lexington Hydraulic and Manufacturing Company) by the following proceedings and conveyances, of record in the office of the Clerk of the Fayette County Court, to-wit:

Condemnation proceedings against Preston and others occurring in the year 1884, of record in Deed Book 70, page 171;

Deed from W. F. Putnam, dated March 6, 1893, of record in Deed Book 100, page 371;

Deed from W. F. Putnam, dated May 30, 1896, of record in Deed Book 109, page 91;

Deed from Margaret Preston and others, dated April 6, 1895, of record in Deed Book 106, page 95;

Deed from Margaret H. T. Hunt and Caroline T. Scott, dated April 3, 1919, of record in Deed Book 193, page 532, and Deed from Commercial Trust and Savings Bank, et al, Trustee, dated October 2, 1911, of record in Deed Book 193, page 533;

Deed from Minnie R. Clay and others, dated August 16, 1884, of record in Deed Book 70, page 312;

Deed from W. J. Loughridge and others, dated December 24, 1901, of record in Deed Book 121, page 472;

Deed from Henry Bewlay and Mae H. Bewlay, his wife, dated May 29, 1905, of record in Deed Book 139, page 206, and Deed from George C. Webb, Master Commissioner, dated May 29, 1905, of record in Deed Book 139, page 201; and

Deed from Jessie P. Draper and George A. Draper, her husband, dated May 3, 1912, of record in Deed Book 166, page 261.

PARCEL NUMBER 2

All that tract or parcel of land situated on the northeast side of the Richmond Road about three miles southeast of Lexington, in Fayette County, Kentucky, and more fully described and bounded as follows, to-wit:

Beginning at a point in the northeast right-of-way of Richmond Road, said point being a corner to B. P. White, Jr.; thence with the northeast right-of-way of Richmond Road S 43° 50' E 20 feet to a corner with Anna D. Leftwich; thence with said Leftwich and the southeasterly side of a 20 foot lane, which belongs to the Lexington Water Company, N 48° 13' E 868.4 feet; thence continuing with Leftwich for three calls, S 41° 45' E 563.1 feet, S 08° 57' W 751.6 feet and S 49° 21' W 238.9 feet to the aforesaid northeast right-of-way of Richmond Road; thence along the northeast right-of-way of Richmond Road for eight calls, S 44°

13' E 1979.7 feet, S 45° 29' E 317 feet, S 47° 46' W 32 feet, S 43° 50' E 284 feet, S 33° 04' E 293 feet, S 38° 36' E 222 feet, S 49° 10' E 272 feet, S 56° 31' E 167 feet to the line of John McClelland and Joe Phelps, Jr.; thence with John McClelland and Joe Phelps, Jr. N 52° 11' E 2126.9 feet; thence again with John McClelland and Joe Phelps, Jr. and continuing with Inez Phelps S 45° 32' E 1912.5 feet to the center of the Walnut Hill and Chilesburg Pike; thence along the center of the Walnut Hill and Chilesburg Pike N 47° 32' E 20 feet to a corner with Clyde and Betty Johns; thence with Clyde and Betty Johns N 45° 32' W 780.8 feet; thence again with Clyde and Betty Johns and continuing with Claude R. and Lucille Snowden and Harvey and Virgie Hager, N 42° 35' E 1115.1 feet to the line of Harry, Graham, Shuck and David Tucker; thence with Harry, Graham, Shuck and David Tucker and continuing with C. S. & Rebecca R. Calvert, N 42° 51' W 4924.9 feet; thence again with C. S. & Rebecca R. Calvert for two calls, N 49° 55' E 858.5 feet and S 88° 20' E 254 feet to a corner with Helene R. Case; thence with Helene R. Case for three calls, N 26° 00' W 171.9 feet, S 52° 25' W 90.2 feet and N 55° 06' W 816.6 feet to the line of the aforesaid B. P. White, Jr.; thence with B. P. White, Jr. for three calls, S 49° 15' W 812 feet, N 40° 43' W 365 feet and S 48° 13' W 3385.3 feet to the beginning and containing 386.272 acres.

Being the same property conveyed to Lexington Water Company (formerly Lexington Hydraulic and Manufacturing Company) by the following deeds of conveyance, which deeds are of record in the office of the Clerk of the Fayette County Court, to-wit:

Deed from Southern Stave and Tie Company, dated December 26, 1906, of record in Deed Book 148, page 264;

Deed from B. E. Allen and Cora H. Allen, his wife, dated October 26, 1912, of record in Deed Book 168, page 124;

Deed from Lew Sharp and Artemesia Sharp, his wife, dated October 18, 1921, of record in Deed Book 208, page 442;

Deed from John William Denton and Matilda Leer Denton, his wife, dated January 2, 1922, of record in Deed Book 209, page 605; and

Deed from Frank Christian, dated January 12, 1923, of record in Deed Book 215, page 373.

PARCEL NUMBER 3

A tract of land located about five miles from the City of Lexington, on the Southwest side of the Lexington and Richmond Turnpike Road, described as follows:

Beginning at a stone corner to Mrs. Julian; thence with the line of Julian South $57^{\circ} 30'$ East one hundred forty-eight (148) feet to a stone corner to Julian and Mrs. Chenault; thence with the line of Mrs. Chenault South 34° East one thousand three hundred seventy-one (1371) feet to a stone; thence South $59^{\circ} 17'$ West one thousand seventy-six (1076) feet to a stake; thence South $47^{\circ} 5'$ East one thousand five hundred seventy three (1573) feet to a stone corner to Mrs. Chenault; thence South $69^{\circ} 46'$ East two hundred ninety-three (293) feet to a stone corner to Mrs. Chenault and H. Prewitt; thence with the line of Prewitt North $20^{\circ} 29'$ East thirty (30) feet to a stake North of a spring; thence South $60^{\circ} 43'$ East one hundred ninety one (191) feet to a point in Hickman Creek; thence South $69^{\circ} 13'$ East one thousand one hundred fifty-five (1155) feet to a stake corner to Prewitt and Hamilton; thence with the line of Hamilton North $4^{\circ} 17'$ East four hundred forty-five (445) feet to a stone corner to Hamilton and S. Gibson; thence with the line of Gibson North 39° East one thousand and three (1003) feet to a stake corner to Gibson and Featherstone; thence North $43^{\circ} 41'$ West three thousand four hundred and four (3404) feet to a stake corner to Julian and Estill; thence with the line of Julian South $63^{\circ} 15'$ West nine hundred and five (905) feet to the place of beginning, containing one hundred thirty-eight and seventy-six hundredths (138.76) acres. Together with a roadway thirty (30) feet wide and about three thousand eighty (3080) feet long extending from the land herein conveyed along the line of what was formerly Featherstone, now Price to the Lexington and Richmond Turnpike Road, and being the same tract which was conveyed to the Lexington Hydraulic and Manufacturing Company by the Southern Stave and Tie Company by deed dated December 26th, 1906, and recorded in Deed Book 148, page 264 in the Fayette County Clerk's Office.

On March 21, 1911, the Lexington Hydraulic and Manufacturing Company sold to Julia O. Graves, Calloway Squires, Waller Squires and Julia Squires a tract containing one and one fourth (1 $\frac{1}{4}$) acres, being a part of Tract No. 15, as shown on plat deed to said property being recorded in Deed Book 179, page 278. Said tract is described as follows:

Beginning at a stone on side of right of way of road, made a corner to Tract No. 1, the said right of way, and land of Dr. G. O. Graves; thence with Dr. Graves for 3 lines South 66° 30' West three hundred fifty-five (355) feet to corner; South 56° 46' East one hundred forty-six (146) feet; South 33° East 25' to right of way of road; thence with same North 38° East 35 feet more or less to the place of beginning, containing one and twenty five hundredths (1.25) acres.

PARCEL NUMBER 4

A tract or parcel of land described as follows:

Beginning at a stone on the West side of the De Long Pike in G. J. Graves' line; with his line South 74 $\frac{1}{2}$ ° West three hundred eighty seven (387) feet to a stone; thence North 65 $\frac{1}{2}$ ° West six hundred eighty seven (687) feet to a stone; thence North 62 $\frac{1}{2}$ ° West five hundred twenty-eight (528) feet to a stone corner to the land formerly owned by Mrs. Estill in Graves' line; thence North 46° East seven hundred ninety six (796) feet to a stone corner to the land formerly owned by Mrs. Estill; thence North 50 $\frac{1}{2}$ ° West five hundred twenty eight (528) feet to a stone on the West bank of Hickman Creek, the line of the land formerly owned by Mrs. Estill and corner to Mrs. P. Chenault's dower tract; thence with the dower line North 48 $\frac{1}{2}$ ° East one thousand two hundred seventy (1270) feet to a stone; thence North 37° West one hundred and fifty and one-half (150 $\frac{1}{2}$) feet to a stone West of the spring; thence North 18° East thirty and one half (30 $\frac{1}{2}$) feet to a stone North of the spring; thence South 63° East one hundred ninety and three fourths (190 $\frac{3}{4}$) feet to the center of Hickman Creek; thence South 70° East one thousand one hundred fifty-five (1155) feet to a stone corner to Baker in Hamilton's line; thence with Hamilton's line South 3° West eight hundred ninety (890) feet to his corner in the De Long Pike; thence with

the center of the pike South $40\frac{1}{2}^{\circ}$ West one thousand two hundred ten (1210) feet to the beginning, containing seventy-eight and fifteen hundredths (78.15) acres.

PARCEL NUMBER 5

A certain tract of land about five miles from the City of Lexington, being the spring lot included in Mrs. P. Chenault's dower and also included in the lot of Thomas Chenault in the division of D. Chenault's land in partition and division book, page 289, bounded as follows:

Beginning at a stone on the Southeast side of the creek in the dower line and corner to Mrs. L. Prewitt; thence North $48\frac{1}{2}^{\circ}$ East eighty-two (82) feet to the center of the creek at water gap; thence with Conner's line North 63° West one hundred seventy (170) feet to a stone corner to Conner's Northeast of the springs; thence South 18° West thirty and one-half ($30\frac{1}{2}$) feet to a corner to the dower; thence South 37° East one hundred fifty and one-half ($150\frac{1}{2}$) feet to the beginning, containing one-fifth of an acre.

Said tracts Numbers 3, 4 and 5 are the same which were conveyed to the Lexington Hydraulic and Manufacturing Company by the Southern Slave and Tie Company by deed dated December 26th, 1906, and recorded in Deed Book 148, page 264 in the Fayette County Clerk's Office.

PARCEL NUMBER 6

All that tract of land lying along the waters of East Hickman Creek, described as follows: Beginning at a buckeye tree in the line of a fence on the property purchased by Muir from Estill; thence South 64° East three hundred twenty-five (325) feet to a point in a fence; thence South 62° East nine hundred eighty-five (985) feet to a corner between Muir and Graves; thence along four lines between Graves and Muir, North 46° East seven hundred ninety-six (796) feet North $50\frac{1}{2}^{\circ}$ West five hundred twenty-eight (528) feet; North $48\frac{1}{2}^{\circ}$ East one thousand two hundred seventy (1270) feet to a stone near the East bank of said East Hickman Creek; thence North 37° West one hundred and fifty and one-half ($150\frac{1}{2}$) feet to a post near a spring and corner to Mrs. Connors and said Graves; thence along two lines between the said Mrs. Connors and said Muir North $69\frac{1}{2}^{\circ}$ West three

hundred (300) feet, North $47^{\circ} 40'$ West four hundred fifty-three (453) feet to a stake in the line between said Connors and Muir; thence along a new line, and which is a dividing line between the land of said Muir and the land hereby described, South $43^{\circ} 33'$ West two thousand two hundred sixty-eight (2268) feet to the point of beginning; being the same property conveyed to the Lexington Hydraulic and Manufacturing Company by Henry T. Muir and wife by deed dated the 10th day of October, 1905, and recorded in Deed Book 141, page 396, in the Fayette County Clerk's Office.

On March 21, 1914, the Lexington Hydraulic and Manufacturing Company sold to Julia O. Graves, Calloway Squires, Waller Squires and Julia Squires a tract containing two (2) acres,

deed to said property being recorded in Deed Book 179, page 278. Said tract is described as follows: Beginning at a point Marked No. 1, said point being corner to Graves and Lexington Hydraulic and Manufacturing Company; thence North $44^{\circ} 30'$ East one hundred forty-eight and eight-tenths (148.8) feet to point No. 2, said point being on line of Graves; thence South $62^{\circ} 30'$ East six hundred (600) feet to point No. 3; thence South $44^{\circ} 30'$ West one

taining two (2) acres.

thence North $62^{\circ} 30'$ West six hundred (600) feet to beginning, con-

PARCEL NUMBER 7

That tract of land described as follows: Beginning at a point in the center of the Richmond Pike and corner to Denton and Mrs. Martha Price; thence with Denton's line South $56^{\circ} 57'$ West six hundred eight (608) feet to a point in the East bank of Hickman Creek; thence with Denton's line South $40^{\circ} 20'$ East one hundred ninety-three (193) feet to a stone, South $1^{\circ} 35'$ West eight hundred fourteen (814) feet, South $69^{\circ} 42'$ West one thousand four hundred ninety-seven (1497) feet to a stone, South $30^{\circ} 20'$ West five hundred ten (510) feet to a post corner to the Lexington Hydraulic and Manufacturing Company in Denton's line; thence North $42^{\circ} 59'$ West one thousand six hundred fifty-three (1653) feet to a stone in their line corner to James Price, thence North 60° East three thousand ninety-eight (3098) feet to the center of the Richmond Pike and corner to James Price; thence South $44\frac{3}{4}^{\circ}$ East seven hundred six (706) feet to the point of beginning, containing ninety-one and eighty-eight-hundredths (91.88) acres;

being the same property conveyed to the Lexington Hydraulic and Manufacturing Company, by Security Trust Company, of Lexington, Kentucky, by deed dated August 29th, 1911, and recorded in Deed Book 164, page 245 in the Fayette County Clerk's Office.

PARCEL NUMBER 3

A tract of land described as follows: Beginning in the center of the Richmond Pike, corner to Dr. Graves' place; thence with the pike South 45° East one thousand one hundred ten (1110) feet to the corner of the old Featherstone place, now Lexington Hydraulic and Manufacturing Company; thence with same South 60° West three thousand ninety four (3094) feet to the corner of the Connors place; thence with same N. 43° 30' West one thousand seven hundred forty four (1744) feet to the Lexington Hydraulic and Manufacturing Company's corner in George O. Graves line; thence with Graves and Squires line North 66° 35' East one hundred sixty eight (168) feet and South 82° 47' East five hundred forty (540) feet; thence with same North 65° 50' East two thousand six hundred fifteen (2615) feet to the beginning, containing eighty nine and sixty four hundredths (89.64) acres; and being the same property conveyed to J. J. Gormley by James Price and Emma Price, his wife, by deed dated the 14th day of October, 1908, recorded in the Fayette County Clerk's office in Deed Book 155, page 287; and conveyed to the Lexington Hydraulic and Manufacturing Company by J. J. Gormley and Bridget Gormley, his wife, by deed dated October 26, 1912, recorded in Deed Book 168, page 120.

On October 8, 1913, the Lexington Hydraulic and Manufacturing Company sold to R. M. Squires the following described tract of land, situated about four and one half miles Southeast of Lexington and adjoining first and second parties:

Beginning at a point in the center of Richmond Pike, corner to R. M. Squires; thence with his line South 66° 05' West one thousand seven hundred sixty-eight (1768) feet, and corner to tract purchased by Squires of said Company; thence with the Lexington Hydraulic and Manufacturing Company for two lines South 17° 26' East eight hundred eighty five (885) feet; thence North 65° 04' East two thousand one hundred ninety (2190) feet to a point in center of Richmond Pike; thence with the center of said pike North 44° 56' West eight hundred ninety two (892) feet to

the place of beginning, containing thirty-eight and ninety-one-hundredths (38.91) acres, being part of property conveyed to Lexington Hydraulic and Manufacturing Company by J. J. Gornley in deed dated October 26, 1912, and recorded in Deed Book 168, page 120. (Tract No. 2 on Plat).

PARCEL NUMBER 9

Those certain tracts of land, hereinafter described, conveyed by George O. Graves and wife to Julia O. Graves, et al, by deed dated November 10, 1911, recorded in Deed Book 167 at page 582, Fayette County Court Clerk's Office, located about $4\frac{1}{2}$ miles southeast of the City of Lexington on the southwest side of the Richmond Road, more particularly described as follows, to-wit:

TRACT A: A tract of land described as follows:

Beginning at a point in the line between Graves and Squires land, marked "3" on plat prepared by A. E. Nichols; thence South 25° East six hundred forty-five (645) feet to a point marked "4" on said plat, corner to Squires and Graves in the line of the Lexington Hydraulic and Manufacturing Company; thence South 60° 30' West four hundred eighty-one and twenty-five-hundredths (481.25) feet to a point marked "5" on said plat, corner to Lexington Hydraulic and Manufacturing Company and Graves; thence North 83° 15' West four hundred ninety one (491) feet to a point marked "6" on said plat, corner to Lexington Hydraulic and Manufacturing Company and Graves; thence North 82° East seven Hundred thirty-eight (738) feet to a point marked "7" on said plat; thence North 2° 15' West six hundred seven and one-tenth (607.1) feet to the point of beginning. Said tract contains three and seventy-seven hundredths (3.77) acres, more or less. Said tract comprises the tracts marked Nos. 2 and 3 on said plat.

TRACT B: A tract of land described as follows:

Beginning at a point No. 1 on plat, said point being a stake in the wire fence; thence with said fence North 51° 13' East eight hundred twenty-five and three tenths (825.3) feet to 2, a point in the line between Graves and the Connors tract of the Lexington Hydraulic and Manufacturing Company; thence South 33° East seven hundred eighty-four and one-half (784 $\frac{1}{2}$) feet to 3, corner

to Graves and Connors tract; thence South $59\frac{1}{2}'$ West seven hundred ninety-three (793) feet to 4; thence North $34^{\circ} 57'$ West six hundred sixty-six and eight-tenths (666.8) feet to the beginning, containing thirteen and forty-four hundredths (13.44) acres. Said tract is marked "Tract No. 5" on said plat.

TRACT C: A tract of land described as follows:

Beginning at a point marked "1" on plat; thence North $51^{\circ} 13'$ East two hundred eighty and three-tenths (280.3) feet to "2," a stake in the wire fence, being same as point "1" of tract No. 2 above described; thence South $34^{\circ} 57'$ East six hundred sixty-six and eight-tenths (666.8) feet to "3," a point in the line of Graves and Connors tract; thence with said line South $59\frac{1}{2}^{\circ}$ West two hundred eight-two and twenty-five-hundredths (282.25) feet to "4," corner to Graves and the Connors tract; thence North $35^{\circ} 17'$ West six hundred twenty-eight (628) feet to the beginning, containing four and eighteen-hundredths (4.18) acres, being Tract No. 6 as indicated on said plat.

TRACT D: A tract of land described as follows:

Beginning at "1," said point being a corner to Graves, to Connors tract and the Muir tract of the Lexington Hydraulic and Manufacturing Company; thence South $44\frac{1}{2}^{\circ}$ West two hundred thirty-five (235) feet to "2," a point in the line between Graves and the Muir tract; thence North $45\frac{1}{2}^{\circ}$ West sixteen (16) feet to "3"; thence North $35^{\circ} 17'$ West one thousand one hundred six (1106) feet to "4," corner to Graves and the Connors tract; thence South $47\frac{1}{4}^{\circ}$ East one thousand eighty (1080) feet to the beginning, containing two and ninety-two-hundredths (2.92) acres, being Tract No. 7, as indicated upon said plat.

TRACT E: A tract of land described as follows:

Beginning at "1," a point in the line between Graves and Muir tracts; thence North $44\frac{1}{2}^{\circ}$ East one thousand six hundred thirty-two (1632) feet to "2"; thence North $45\frac{1}{2}^{\circ}$ West sixteen (16) feet to "3"; thence South $58^{\circ} 57'$ West one thousand two hundred seventy-seven (1277) feet to "4"; thence South $45\frac{1}{2}^{\circ}$ West one hundred twenty and three-tenths (120.3) feet to "5"; thence South $44\frac{1}{2}^{\circ}$ West four hundred (400) feet to "6"; thence South $45\frac{1}{2}^{\circ}$ East two hundred thirty-one and one-half ($231\frac{1}{2}$) feet to the

beginning, containing seven and thirty-three-hundredths (7.33) acres, and being Tract No. 8, as indicated upon said plat.

TRACT F: A tract of land described as follows:

Beginning at a point marked No. 1 on line of Graves and Lexington Hydraulic and Manufacturing Company, said point being ninety-eight (98) feet distant Northeast of the corner as shown on plat; thence North $20^{\circ} 30'$ West one hundred sixty-one and nine-tenths (161.9) feet to point marked No. 2; thence North $48^{\circ} 05'$ East eighty-five (85) feet to a point marked No. 3; thence South $31^{\circ} 15'$ East one hundred sixty (160) feet to point marked No. 4; said point being in the line of Graves and Lexington Hydraulic and Manufacturing Company; thence South $51^{\circ} 15'$ West one hundred fourteen and five-tenths (114.5) feet to beginning, containing thirty-six hundredths (.36) acres.

TRACT G: A right of way for passage over the following described tract of land: A tract twenty-five (25) feet wide West of and parallel to the following described South line, to-wit:

Beginning at a point marked "3" on the plat prepared by A. E. Nichols, same being a corner of tracts Nos. 2 and 3 described in said plat and in the line between the property now owned by R. M. Squires and the tract conveyed by Dr. George O. Graves to Julia O. Graves, etc.; thence South $2^{\circ} 15'$ East six hundred seven and one-tenth (607.1) feet to a point; thence South 82° West seven hundred thirty-eight (738) feet to the point marked "6" on said plat, corner to Graves and the Lexington Hydraulic and Manufacturing Company; thence South $66^{\circ} 30'$ West six hundred forty-five (645) feet to a point marked "F" on said plat; thence South 38° West one thousand seven hundred forty-one (1741) feet to a point.

The plat referred to in each of the foregoing descriptions is a plat prepared by A. E. Nichols, and which is filed with the deposition of said A. E. Nichols in the equitable action of George O. Graves, etc., vs. Calloway Squires, etc., in the Fayette Circuit Court, and is a part of the record in said case, and reference to same is hereby made.

The tracts were obtained by the Lexington Hydraulic and Manufacturing Company by Commissioner's deed dated February 21, 1914, and recorded in Deed Book 173, page 311, and by deed dated April 2,

1914, by W. H. Townsend, Special Commissioner, of record in Deed Book 174, page 5, Fayette County Court Clerk's Office. For a more definite location of these tracts, see plat attached to the above deed, prepared by P. A. Rowe, Civil Engineer.

PARCEL NUMBER 10

That certain tract or parcel of land lying about four and one-half ($4\frac{1}{2}$) miles Southeast of the City of Lexington on the Southwest side of the Richmond Turnpike Road, adjoining the lands of first party, R. M. Squires, Mrs. A. B. Israel, Julia O. Graves, etc., and the second party, the Lexington Hydraulic and Manufacturing Company, and more fully described as follows:

Beginning at a point on the plat hereinafter referred to, corner to property of the Lexington Hydraulic and Manufacturing Company and Lot No. 2 hereinafter described; thence with the line of the Lexington Hydraulic and Manufacturing Company, South $66^{\circ} 05'$ West three hundred sixty-eight and five-tenths (368.5) feet to a point corner to the land of said Company and Julia O. Graves and others; thence with the line of Julia O. Graves and others, North 25° West seven hundred twelve and five-tenths (712.5) feet to a point in the line of said Julia O. Graves and others; thence in a new line North $2^{\circ} 15'$ West two hundred seven and one-tenth (207.1) feet to a point; thence North $48^{\circ} 45'$ East four hundred twelve and five-tenths (412.5) feet to a point; thence North $36^{\circ} 10'$ East two hundred eighteen (218) feet to a point in the line of Mrs. Israel and corner to property of R. M. Squires, marked No. 3 on said plat; thence with the line of said Squires South $9^{\circ} 55'$ East one thousand one hundred seventy-one (1171) feet to the point of beginning, and containing eleven and two-hundredths (11.02) acres of land, more or less. Being a part of the property which was conveyed to said R. M. Squires, by Llewellyn Sharp, Jr., and wife, by deed dated February 12, 1912, of record in the Fayette County Court Clerk's office, in Deed Book 165, page 383, (Tract No. 1 on plat), and being the same property conveyed to the Lexington Hydraulic and Manufacturing Company by R. M. Squires and Mary Hood Squires, his wife, by deed dated October 8, 1913, and recorded in Deed Book 173, page 437.

PARCEL NUMBER 11

That certain tract of land located in the City of Lexington, described as follows:

Beginning at a point in the East line of Drake Street, said point being located two hundred sixty-one (261) feet from the Southeast corner of Main and Drake Streets; thence South 40° 13' East two hundred twenty (220) feet more or less to a point in the West line of Shreve Avenue, said point being distant two hundred sixty-one and five-tenths (261.5) feet from the Southwest corner of Main Street and Shreve Avenue; thence Southerly with said West line of Shreve Avenue eighty (80) feet more or less to a point; thence North 40° 13' West two hundred sixteen (216) feet to a point in the East line of Drake Street; thence with said East line of Drake Street North 47° 41' East eighty (80) feet to the point of beginning, and containing seventeen thousand four hundred forty (17,440) square feet, more or less, being part of the same property conveyed to said The Chesapeake and Ohio Railway Company, by deed dated July 1, 1907, recorded in Fayette County, Kentucky, in Deed Book 150, page 430, from The Chesapeake and Ohio Railway Company of Kentucky; and conveyed to the Lexington Hydraulic and Manufacturing Company by The Chesapeake and Ohio Railway Company, of Virginia, by deed of date December 19, 1919, recorded in Deed Book 198, page 556.

PARCEL NUMBER 12

All that house and lot on the West side of Upper Street in the City of Lexington, Kentucky, between Church and Second Streets, fronting on said Upper Street fifty-two (52) feet, more or less, and extending back in a Northwesterly direction and between parallel lines one hundred and one (101) feet, more or less, and bounded on the Northeast by the property of De Long and on the Southwest by the property of Farrell; and being the same property conveyed by Fannie B. Potts to Nellie Rowe for and during her natural life, with remainder to H. L. Rowe and his heirs and assigns forever, by deed dated June 3, 1903, and of record in Deed Book 131, page 47; and being the same property inherited from said H. L. Rowe, who died intestate, by Sofie Rau *et al.*; and being the same property seized by the Alien Property Custodian, as set out in Deed Book 196, page 540,

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and reconveyed to Sofie Rau *et al.* by Thomas W. Miller, Alien Property Custodian, by quitclaim deed, dated May 8, 1921, recorded in Deed Book 225, page 317; and the same property set out in power of attorney from Sofie Rau and others to Edward H. Lohes, dated July 24, 1921, and recorded in Deed Book 226, page 310; and being the same property conveyed to John G. Stoll, one of the first parties herein, by Sofie Rau, *et al.* by deed dated November 21, 1924, and recorded in Deed Book 228, page 86, and being the same property conveyed to Lexington Water Company by John G. Stoll by deed dated June 18, 1925, and recorded in Deed Book 231, at page 577, Fayette County Court Clerk's office.

PARCEL NUMBER 13

A passway twenty-five (25) feet wide, the North line of same being described as follows:

Beginning at point No. 3 on Richmond Pike, corner to Gornley and Squires; thence with Gornley and Israel for two lines South 44° 30' West four hundred sixty five and ninety six hundredths (465.96) feet; thence South 70° West five hundred eighty one and ninety-six hundredths (581.96) feet to a point, corner to Israel and Lot No. 1; thence with lines of Lots Nos. 1 and 1 for three lines, South 36° 10' West two hundred eighteen (218) feet; South 48° 45' West four hundred twelve and five tenths (412.5) feet; South 2° 15' East two hundred seven and one tenth (207.1) feet to point, corner to lands of Julia O. Graves and others, the location of said passway being shown on said plat. Said passway was conveyed to the Lexington Hydraulic and Manufacturing Company by R. M. Squires by deed dated October 8th, 1913 and recorded in Deed Book 173, page 137.

PARCEL NUMBER 14

All that tract or parcel of land in Fayette County, Kentucky, about twelve (12) miles from the City of Lexington, Kentucky, and on the North side of the Kentucky river, described as follows, to wit:

Beginning at a point on the bank of the Kentucky river, marked 1 on plat, and corner to Phillip Crawley, said point being 661 feet from the mouth of Pickett's branch; thence with Crawley's lines N. 33° E. 25 feet, more or less to the top of the rock

cliff; thence following top of said cliff with Crawley's lines N. 70° 35' E. 189 feet, N. 79° 24' E. 136 feet, N. 85° 15' E. 330 feet; thence leaving cliff and Crawley's line S. 4° 25' W. 200 feet, more or less to the low water mark of the Kentucky river, marked 5 on plat; thence with the north bank of said river 600 feet, more or less to the point of beginning at 1, and also carrying with said last line a strip of ground of equal width between points marked 1 and 5 to the middle line of the Kentucky river; and being the same land conveyed to said Lexington Water Company by E. B. Hall by deed dated October 14th, 1930, and recorded in Deed Book 266, page 225 in the office of the Clerk of the Fayette County Court.

PARCEL NUMBER 15

All that tract or parcel of land in Fayette County, Kentucky, about twelve (12) miles from the City of Lexington, near the Kentucky River, described as follows, to-wit:

Beginning at a point in a stone fence on the property of first parties, 440 feet from the line of E. B. Hall, measured on a line with a bearing running from the stone fence to the line of E. B. Hall, S 15 degrees E, at which place a stone has been placed; running thence in a westerly direction with said stone fence 180 feet; thence in a northeasterly direction about 200 feet to the northeast side of the right of way granted to the party of the second part for its pipe line, marked by a stone, said point being 364 feet from the Jolms' line; thence with the northeast side of said right of way S 58-15 E, 196 feet to a point in the northeast side of said right of way; thence S 15 degrees E 65 feet to the point of beginning, containing about one-third ($\frac{1}{3}$) of an acre.

And being the same land conveyed to Lexington Water Company by deed from D. P. Crawley and Sara E. Crawley, his wife, dated October 15, 1930, of record in Deed Book 226 at page 228 in the Fayette County Court Clerk's Office.

PARCEL NUMBER 16

That certain tract or parcel of land located in Fayette County, Kentucky, described as follows, to-wit:

A portion of Lot No. 1, Block E of Cedar Hills, Unit No. 3 subdivision, which is of record in the Fayette County Court Clerk's Office in Plat Book No. 3, at page 102, bounded as follows:

Beginning at a point located between Lot No. 1 and Lot No. 2, as shown on said plat, at the bank of the Kentucky River at pool stage, which point is also 300 feet northwest of Cedar Hills Unit No. 2 measured along a straight line running N 40° 35' W; thence following the dividing property line between said Lots No. 1 and No. 2, a distance of 157.8 feet to a point at the foot of the River Cliff; thence in a northwesterly direction following the northeast boundary of said Lot No. 1, a distance of 30 feet to a point; thence in a southwesterly direction parallel to the property line between said Lots No. 1 and No. 2, a distance of approximately 27 feet to the center line of Beach Road; thence in a southwesterly direction an approximate distance of 133 feet to a point in the southwest boundary line of Lot No. 1 located on the bank of the Kentucky River at pool stage, and which point is 46 feet northwest of the point of beginning, running thence a distance of 46 feet along the southwest boundary line of Lot No. 1 to the point of beginning. Also, a right of way over Beach Road from the lot hereby conveyed to U. S. Highway No. 215. Said Beach Road is shown upon the plat above referred to and also upon the plat of Cedar Hills, Unit No. 2 subdivision, which is of record in said Clerk's Office in Plat Book No. 3, page 63.

And being the same property conveyed to Lexington Water Company by W. R. Williams and Elizabeth D. Williams, by deed dated August 5, 1944, of record in Deed Book 361 at page 317 in the Fayette County Court Clerk's Office.

PARCEL NUMBER 17

All that tract or parcel of land, in the City of Lexington, County of Fayette, State of Kentucky, and located at the corner of Cox Street and Herlihy Avenue, and for more particular description, as follows:

Beginning at 1, a station, at the intersection of Cox Street and Herlihy Avenue; thence with Herlihy Avenue S 79 30 E 114 feet to Station 2; at the intersection of Herlihy Avenue and a 10 foot alley; thence with the line of said alley N 38 30 E 142½ feet to 3 on the diagram at the intersection of the said alley and Herlihy Avenue; thence with Herlihy Avenue N 60 40 W 109 feet to the intersection of Herlihy Avenue and Cox; thence with Cox Street S 35 30 W 180 feet to the place of beginning.

And being the same property conveyed to Lexington Water Company from Kathleen Mulligan, Trustee et al, by deed dated August 18, 1947, of record in Deed Book 425 at page 444 in the Payette County Court Clerk's Office.

PARCEL NUMBER 18

All those lots or parcels of land located in Lexington, Payette County, Kentucky, more particularly described as follows:

All of Lots Nos. 4 and 5 of the Laigart Addition to the City of Lexington, as shown of record in Plat Book 1, page 74, in the Office of the Clerk of the Payette County Court, and

Being the same property conveyed to Lexington Water Company by Nathan Herman and Tanya Herman, his wife, by deed dated October 6, 1947, of record in Deed Book 428 at page 142 in the Payette County Court Clerk's Office.

PARCEL NUMBER 19

All that tract or parcel of land situated near the Evans Mill Road and the Kentucky River at the mouth of Picketts Branch in Payette County, Kentucky, and more particularly described and bounded as follows:

Beginning at a point on the cliff, corner to E. B. Hall and Phillip Crawley at the Northeast corner of a tract of land conveyed by E. B. Hall to Lexington Water Company by deed recorded in Deed Book 266, page 225, in the Payette County Clerk's Office; thence along the property of said Lexington Water Company for four calls S 85° 15' W 330 feet, S 79° 24' W 136 feet, S 70° 35' W 189 feet and S 33° 00' W 25 feet, more or less, to the water's edge of the Kentucky River at low stage; thence in a southwesterly direction with the water line of the Kentucky River at low stage 661 feet, more or less, to the mouth of Picketts Branch; thence in a northwesterly direction with Picketts Branch to the line of Sydney Combs; thence with Sydney Combs for seven calls N 20° 18' E 283 feet more or less, N 31° 00' E 91 feet, N 27° 20' E 208 feet, N 22° 06' E 306 feet, N 24° 45' E 267.2 feet, N 25° 22' E 215 feet, N 23° 48' E 102 feet to a new corner to Phillip Crawley; thence with Crawley for five new calls S 59° 02' E 300 feet, S 61° 36' E 292 feet, S 43° 00' E 102 feet S 7° 03'

W 177.8 feet and S 11° 15' E 434 feet, more or less, to the point of beginning and containing 18.90 acres, more or less.

There is excluded from the above boundary the tract conveyed to Lexington Water Company by Phillip Crawley by deed recorded in Deed Book 266, page 228, in the Fayette County Court Clerk's Office, said tract containing 0.33 acres, more or less, having a total acreage in this tract of 18.57 acres, more or less.

And being the same property conveyed to Lexington Water Company from Phillip Crawley and Sarah E. Crawley, his wife, by deed dated February 23, 1956, of record in Deed Book 598 at page 229 in the Fayette County Court Clerk's Office.

PARCEL NUMBER 20

All that tract or parcel of land situated near the water's edge of the Kentucky River and east of Pickett's Branch in Fayette County, Kentucky, and more fully described and bounded as follows, to wit:

Beginning at a point in the northwest corner of the tract previously conveyed to the Lexington Water Company by E. B. Hall by deed recorded in Deed Book 266, page 225, in the Fayette County Court Clerk's Office and corner to Phillip Crawley; thence with the line of Crawley for four calls S 71° 40' W 129 feet, S 72° 30' W 235 feet, S 52° 55' W 106 feet and S 63° 10' W 191 feet to a point in Pickett's Branch; thence with Pickett's Branch in a southeasterly direction to the water edge of the Kentucky River at low stage; thence in a northeasterly direction with the water line of the Kentucky River at low stage 661 feet, more or less, to the above mentioned Lexington Water Company tract; with the Lexington Water Company tract N 33° E 25 feet, more or less, to the beginning, and being all the property of E. B. Hall between the line of Phillip Crawley on the north and the water line of the Kentucky River at low stage on the south and between the tract previously conveyed to the Lexington Water Company by E. B. Hall in Deed Book 266, page 225, on the east and Pickett's Branch on the west.

And being the same property conveyed to Lexington Water Company by James E. Hall and Myrtle Hall, his wife, by deed dated April 23, 1956, of record in Deed Book 599 at page 1 in the Fayette County Court Clerk's Office.

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PARCEL NUMBER 21

All that tract or parcel of land situated on the Kentucky River about one mile west of Clays Ferry in Fayette County, Kentucky, and more fully described and bounded as follows, to-wit:

Beginning at a point on the low water line of the Kentucky River and corner to the property purchased by the Lexington Water Company from James Hall; thence in an easterly direction with said low water line of the Kentucky River 335 feet, more or less, to a new corner to James Hall; thence for a new line with Hall N 04° 25' E 312 feet, more or less, to the line of Crawley at the lower cliff line; thence in a westerly direction with Crawley and said lower cliff line 322 feet, more or less, to the common corner of Crawley, Lexington Water Company tract purchased from Crawley and the aforesaid Lexington Water Company tract purchased from Hall; thence with the aforesaid Lexington Water Company tract purchased from Hall S 04° 25' W 200 feet, more or less, to the beginning and containing 2.0 acres, more or less.

And being the same property conveyed to Lexington Water Company by James F. Hall and Myrtle Hall, his wife, by deed dated March 14, 1957, of record in Deed Book 620 at page 455 in the Fayette County Court Clerk's Office.

PARCEL NUMBER 22

All of that certain tract or parcel of land situated on the southerly side of Mercer Road and on the northwesterly side of the New Circle Road, near Lexington, in Fayette County, Kentucky, and more particularly described and bounded as follows, to-wit:

Beginning at a point in the southerly right of way line of Mercer Road, said point being a corner to Industry Development Company; thence with said southerly right of way line of Mercer Road for two calls N 76° 01' W 100 feet and N 75° 27' W 100 feet to a new corner with Willmott; thence with Willmott for two new calls S 23° 52' W 200 feet and S 65° 42' E 186.53 feet to the northwesterly right of way line of the New Circle Road; thence with the northwesterly right of way line of the New Circle Road N 71° 27' E 15 feet to the line of Industry Development Company; thence with Industry Development Company for two calls N 23°

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41' E 69.4 feet and N 23° 52' E 155.3 feet to the beginning and containing 0.983 acre.

And being the same property conveyed to Lexington Water Company by Sarah K. Willmott, et al, by deed dated December 30, 1963, of record in Deed Book 786 at page 223 in the Fayette County Court Clerk's Office.

PARCEL NUMBER 23

All that tract or parcel of land situated on the easterly side of the Richmond Road, south of the Athens-Walnut Hill Pike, near Lexington, Fayette County, Kentucky, and more fully described and bounded as follows, to-wit:

Beginning at a point in the center line of the Richmond Road, said point being S 58-23' W 617.0 feet from the center line of the Athens-Walnut Hill Pike, said point also being corner to Cecelia Bush; thence with Bush N 58-23' E 230.29 feet to a new corner to the First Security National Bank and Trust Company, Executor and Trustee under Will Salem A. Wallace; thence with said First Security National Bank and Trust Company for two new calls S 31-37' E 192.41 feet and S 58-23' W 284.86 feet to the aforesaid center line of the Richmond Road; thence with said center line of the Richmond Road N 15 47' W 200.0 feet to the beginning, and containing 1.138 acres.

And being the same property conveyed to Lexington Water Company by First Security National Bank and Trust Company of Lexington, Executor and Trustee, et al, by deed dated June 1, 1966, of record in Deed Book 870 at page 292 in the Fayette County Court Clerk's Office.

PARCEL NUMBER 24

All that certain tract or parcel of land located on the Parkers Mill Road, in Fayette County, Kentucky, more particularly described as follows, to-wit:

Beginning at a point in the line of Kentucky Utilities Company property, said point being 40 feet north of the center line of the Parkers Mill Road; thence with Kentucky Utilities Company property N 18° 00' W 511.27 feet to a new corner with Mattie Smith; thence with Mattie Smith for four new calls S 72° 00'

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W 250 feet, S 18° 00' E 350 feet, N 72° 00' E 220 feet and S 18° 00' E 159.96 feet to a point, said point being 40 feet north of the center line of the Parkers Mill Road; thence for a line 40 feet north of and parallel to the center line of the Parkers Mill Road N 74° 30' E 30.03 feet to the beginning, containing 2.119 acres, and

Being the same property conveyed to Lexington Water Company by deed from Mattie G. Smith, dated October 7, 1966, of record in Deed Book 882, page 311, Fayette County Court Clerk's Office.

II

The following described piece or parcel of land situate in the County of Woodford, Commonwealth of Kentucky, more particularly described as follows:

All that certain tract or parcel of land located near the Huntertown Road in Woodford County, Kentucky, said tract being more particularly described and bounded as follows, to-wit:

Beginning at a point in Gaybourne Subdivision, said point being located N 88° 21' E 707.0 feet, S 19° 18' W 1401.6 feet from the intersection of the southerly right of way line of the Lexington-Versailles Road (U. S. Highway No. 60) and the center line of Huntertown Road, thence S 19° 18' West 50 feet; thence N 70° 42' W 50 feet; thence N 19° 18' E 50 feet; thence S 70° 42' E 50 feet to the point of beginning and containing 0.0571 acres, and

Being the same tract conveyed to Lexington Water Company by deed from the Versailles Road Water District dated February 23, 1966, of record in Deed Book 860, page 181, Fayette County Court Clerk's Office and in Deed Book 66, page 395, Woodford County Court Clerk's Office.

STATE OF INDIANA)
COUNTY OF WAYNE)

I, William D. Hall, a Notary Public in and for the state and county aforesaid, do hereby certify that the foregoing Indenture between Lexington Water Company and The Fidelity Bank was this day produced before me in my office in said state and county by C. M. O'Day, President of Lexington Water Company, a Kentucky corporation, and that the same was thereupon acknowledged by the said C. M. O'Day to be his free and voluntary act and deed and the free and voluntary act and deed of Lexington Water Company for the uses and purposes therein set forth, all of which, together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Richmond, Indiana, this the 10th day of July, 1968.

/s/ WILLIAM D. HALL
Notary Public,
Wayne County, Indiana
My Commission expires: March 2, 1970

COMMONWEALTH OF PENNSYLVANIA }
COUNTY OF PHILADELPHIA } SS:

I, Henry J. Garvin, a Notary Public in and for the commonwealth and county aforesaid, do hereby certify that the foregoing Indenture between Lexington Water Company and The Fidelity Bank was this day produced before me in my office in said commonwealth and county by J. P. McDonald, Asst. Vice President of The Fidelity Bank, a Pennsylvania corporation, and that the same was thereupon acknowledged by the said J. P. McDonald to be his free and voluntary act and deed and the free and voluntary act and deed of The Fidelity Bank, for the uses and purposes therein set forth, all of which, together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Philadelphia, Pennsylvania, this 3rd day of July, 1968.

/s/ HENRY J. GARVIN
Notary Public,

Philadelphia County, Pennsylvania
My Commission expires: February 21, 1972

—————
CERTIFICATE OF RESIDENCE.

The Fidelity Bank, mortgagee and trustee within named, hereby certifies that its precise name and address are The Fidelity Bank, 135 South Broad Street, Philadelphia, Pennsylvania.

THE FIDELITY BANK

By

/s/ J. E. CROOKS
Assistant Secretary.

This instrument was prepared by Joseph V. Reaph, Jr. #3 Penn Center Plaza, Philadelphia, Pennsylvania.

The foregoing Indenture of Mortgage was recorded on July 26, 1968 in the Office of the Clerk of the Payette County Court in Mortgage Book 827 at Page 97, and on July 29, 1968 in the Office of the Clerk of the Woodford County Court in Mortgage Book 46 at Page 150.

X-3015

[Conformed Copy]

LEXINGTON WATER COMPANY

TO

THE FIDELITY BANK,

as Trustee.

FIRST SUPPLEMENTAL INDENTURE

Dated as of December 1, 1970

and

SUPPLEMENT TO FIRST SUPPLEMENTAL INDENTURE

Dated as of December 17, 1970.

SUPPLEMENTAL TO INDENTURE

Dated as of May 1, 1968.

GENERAL MORTGAGE BONDS, 10% SERIES

CONFORMED COPY

LEXINGTON WATER COMPANY

to

THE FIDELITY BANK,

as Trustee

FIRST SUPPLEMENTAL INDENTURE
dated as of December 1, 1970

SUPPLEMENTAL TO INDENTURE,
dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 10% SERIES

FIRST SUPPLEMENTAL INDENTURE, dated as of the first day of December, 1970, made by and between LEXINGTON WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and THE FIDELITY BANK, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania having its principal office and place of business in the City and County of Philadelphia, Commonwealth of Pennsylvania, (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture hereinafter mentioned.

WHEREAS, the Company has heretofore executed and delivered to THE FIDELITY BANK its Indenture, dated as of May 1, 1968 (hereinafter sometimes referred to as the "Original Indenture", the Original Indenture and any and all indentures supplemental thereto being hereinafter sometimes referred to as the "Indenture") to secure the payment of the principal of and the interest on all bonds at any time issued and outstanding thereunder, and to declare the terms and conditions upon which bonds may be issued thereunder; and

WHEREAS, the Company has heretofore executed and delivered and the Trustee has authenticated and delivered under the Original Indenture \$4,300,000 principal amount of General Mortgage Bonds, 7 3/8% Series due July 1, 1993, all of which bonds are presently outstanding; and

WHEREAS, the Company, in the exercise of the powers and authority conferred upon and reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee a supplemental indenture in the form hereof for the purposes herein provided; and

WHEREAS, all things necessary to make all such General Mortgage Bonds of the 10% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued, the valid, binding and legal obligations of the Company, and to make the Indenture a valid, binding and legal instrument for the security of such bonds to be issued thereunder, in accordance with their terms, have been done and performed and the issue of said bonds, as in the Indenture provided, has been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH THAT LEXINGTON WATER COMPANY, in consideration of the premises and of the acceptance by the Trustee of the trust hereby created and of the purchase and acceptance by the registered owners thereof of such General Mortgage Bonds, of the 10% Series, as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is

hereby acknowledged and in order further to secure the payment of the principal of, and premium (if any) and interest on, all the General Mortgage Bonds at any time issued and outstanding under the Indenture, according to their tenor, purport and effect, and the performance and observance by the Company of all the covenants and conditions in the General Mortgage Bonds and in the Indenture contained, the Company, intending to be legally bound hereby, does hereby ratify and confirm its mortgage and pledge to the Trustee upon the terms and trusts in the Indenture of all property described or included in the granting clauses of the Original Indenture including all such property of whatsoever nature and kind which the Company now owns or which it may hereafter acquire except as in the Indenture provided and except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof.

AND THIS INDENTURE FURTHER WITNESSETH THAT, in consideration of the premises and of such acceptance or purchase of the General Mortgage Bonds, of the 10% Series, by the registered owners thereof, and of said sum of One Dollar to the Company duly paid by the Trustee at or before the ensealing and delivery of these presents, the Company, for itself and its successors, intending to be legally bound hereby, does hereby covenant to and agree with the Trustee and its successor in the trust, for the benefit of those who shall hold or own such bonds, or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 10% SERIES

SECTION 1. A Series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other Series by the title "General Mortgage Bonds, 10% Series" (hereinafter sometimes referred to as the "bonds of the 10% Series"). Such bonds shall be issued with the following provisions pursuant to Section 2.03 paragraphs 2(a) through 2(n), inclusive, of the Original Indenture:

(a) The bonds of the 10% Series shall bear interest from the payment date next preceding the date of such bonds (or if dated prior to June 1, 1971, then from the date of such bonds).

(b) The aggregate principal amount of the bonds of the 10% Series is not limited except as provided in the Indenture.

(c) The bonds of the 10% Series shall be issuable in the denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively BR-1 and upwards and shall be registered bonds without coupons.

(d) All bonds of the 10% Series shall be due December 1, 1995.

(e) The principal of and the premium (if any) and the interest on the bonds of the 10% Series shall be payable at the office or agency of the Trustee in the City of Philadelphia, Pennsylvania in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

(f) The bonds of the 10% Series shall be dated as of the date of their authentication, except that if any bond of the 10% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All bonds of the 10% Series shall bear interest at the rate of ten per cent (10%) per annum payable semi-annually on the first days of June and December in each year.

(g) The bonds of the 10% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The bonds of the 10% Series shall be redeemable as set forth in Part II hereof, entitled "Texts of Bonds of the 10% Series".

(i) The bonds of the 10% Series shall not be entitled to the benefit of any sinking, purchase or analogous fund for their retirement.

(j) The bonds of the 10% Series shall not be convertible.

(k) The bonds of the 10% Series shall be exchangeable only as provided in the Original Indenture.

(l) & (m) There are no other particulars necessary to describe and define bonds of the 10% Series within the provisions and limitations of the Indenture except as provided therein with respect to all bonds issued thereunder, and there are no other provisions or agreements in respect of the bonds of the 10% Series which are for the sole benefit thereof.

(n) The text of the bonds of the 10% Series is set forth in Part II.

PART II

TEXT OF BONDS OF THE 10% SERIES

The text of the bonds of the 10% Series and of the Trustee's authentication certificate upon said bonds shall be substantially in the following forms, respectively:

[TEXT OF BONDS OF THE 10% SERIES]

No. BR

\$

LEXINGTON WATER COMPANY

GENERAL MORTGAGE BOND, 10% SERIES

Due December 1, 1995

LEXINGTON WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, on the first day of December, 1995, at the principal office of the Trustee hereinafter named in the City of Philadelphia (or, if there be a successor trustee, at its principal office), the sum of _____ in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the

date of this bond until maturity, at the rate of ten per cent (10%) per annum, in like coin or currency, semi-annually on the first day of June; and the first day of December in each year, commencing on the first day of June, 1971 and the balance of such interest at maturity.

This bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank, as Trustee, dated as of May 1, 1968, as supplemented and amended by a Supplemental Indenture dated as of December 1, 1970 (hereinafter called the "First Supplemental Indenture"), to which Original Indenture and to all indentures supplemental thereto (the Original Indenture as so supplemented and amended being hereinafter called the "Indenture"), reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the holders or registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This bond is one of the bonds described in the First Supplemental Indenture and designated therein as "General Mortgage Bonds, 10% Series, due December 1, 1995" (hereinafter referred to as the "bonds of the 10% Series").

The lien of the Indenture on the property of the Company is subject to the lien of the Prior Mortgage defined in the Indenture.

The bonds of the 10% Series are subject to redemption, in whole, or in part by lot, at any time and from time to time, at the option of the Company or pursuant to certain requirements of the Indenture, upon notice mailed by registered mail to the registered owners thereof, at least twenty-five days before the redemption date, all on the conditions and in the manner provided in the Indenture; provided, however, that prior to December 1, 1980, no bonds of the 10% Series may be redeemed by the use, or in anticipation of the receipt, of proceeds from any borrowing at an interest cost of less than ten per cent (10%) per annum, if such borrowing is by the Company or by an entity that

directly or indirectly controls, or is controlled by or is under common control with, the Company and is for the purpose of providing funds to the Company for such redemption.

If redeemed by the application of moneys derived from the sale to or other acquisition by or on behalf of one or more governments, or municipal corporations or other governmental subdivisions, bodies, authorities or agencies of any property subject to the lien of the Indenture, or if redeemed in any way incident to the sale to or other acquisition by or on behalf of one or more governments, or municipal corporations or other governmental subdivisions, bodies, authorities or agencies of all or substantially all of the Company's assets or common stock, the bonds of the 10% Series shall be redeemable at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption. If redeemed otherwise than as set forth in the preceding sentence, the bonds of the 10% Series shall be redeemable at the redemption price, at the time applicable, as set forth in the following schedule, together with interest accrued thereon to the date fixed for redemption:

<u>Period</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u> <u>(Percentage of</u> <u>Principal Amount)</u>
December 1, 1970 to November 30, 1983	108
December 1, 1983 to November 30, 1986	106
December 1, 1986 to November 30, 1989	104
December 1, 1989 to November 30, 1992	102
December 1, 1992 to Maturity	100

If this bond, or any portion hereof, is called for redemption and payment thereof is duly provided for as specified in the Indenture, interest shall cease to accrue hereon or on such portion, as the case may be, from and after the date fixed for redemption.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture,

shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium (if any) and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds in the manner hereinabove provided with respect to the redemption of bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given not later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds outstanding (or, if such event of default be a default in

the payment of any principal of or premium or interest in the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the bonds of the 10% Series.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds per cent (66 2/3%) in principal amount of the bonds then outstanding under the Indenture and entitled to vote; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all of the series of bonds outstanding under the Indenture may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent (66 2/3%) in total principal amount of the bonds of the series so affected then outstanding under the Indenture, and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this bond, or a reduction in the principal amount hereof or the premium (if any) or the rate of interest hereon, or otherwise affect the terms of payment of the principal of or premium (if any) or interest on, this bond, or reduce the percentage of principal amount of bonds the consent of the owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the

Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds of the 10% Series in authorized denominations, of a like aggregate principal amount; and the owner of any bond or bonds of the 10% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under, or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until The Fidelity Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, LEXINGTON WATER COMPANY has caused this bond to be signed in its name by its President or a Vice-President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this bond to be dated

LEXINGTON WATER COMPANY

By _____
President

Attest:

Secretary

TRUSTEE'S AUTHENTICATION CERTIFICATE

This bond is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

THE FIDELITY BANK,
as Trustee

By _____
Authorized Officer

PART III

RELATING TO THE ISSUANCE OF BONDS OF THE 10% SERIES

SECTION 1. An initial issue of bonds of the 10% Series, in aggregate principal amount not exceeding Two Million One Hundred Thousand Dollars (\$2,100,000) may be executed by the Company and delivered to the Trustee for authentication, and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this First Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Indenture to be received by the Trustee as a condition to the authentication and delivery by

the Trustee of bonds pursuant to said Sections 2.03 and 2.04.

SECTION 2. Additional bonds of the 10% Series may be issued by the Company under the provisions of the Indenture.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trust hereby declared and provides and agrees to perform the same upon the terms set forth in the Original Indenture and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this First Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture shall apply to this First Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this First Supplemental Indenture.

PART V

REAFFIRMATION OF ORIGINAL INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Original Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except in so far as any of the provisions thereof may be inconsistent with any of the provisions herein.

PART VI

MISCELLANEOUS PROVISIONS

This First Supplemental Indenture may be simultaneously executed in any number of counterparts and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, LEXINGTON WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice-Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and THE FIDELITY BANK has caused these presents to be signed in its corporate name by one of its Vice-Presidents or one of its Assistant Vice-Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

LEXINGTON WATER COMPANY

By s/ C. M. O'Day
President

[SEAL]

Attest:

s/ S. B. Givens
Secretary

signed, sealed and delivered by
Lexington Water Company in the
presence of

s/ Gail L. Johnson

s/ Ellen R. Pearl

THE FIDELITY BANK

By s/ J. F. McDonald
Vice-President

[SEAL]

Attest:

s/ J. Eric Crooks
Assistant Secretary

signed, sealed and delivered
by The Fidelity Bank in the
presence of

s/ M. L. Erickson

s/ Jo Anne Wilson

STATE OF INDIANA
COURTY OF WAYNE

: ss.
:

I, John W. Rich, a Notary Public in and for the State and county aforesaid, do hereby certify that the foregoing First Supplemental Indenture between Lexington Water Company and The Fidelity Bank was this day produced before me in my office in said State and county by C. M. O'Day, President of Lexington Water Company, a Kentucky corporation, and that the same was thereupon acknowledged by the said C. M. O'Day to be his free and voluntary act and deed and the free and voluntary act and deed of Lexington Water Company for the uses and purposes therein set forth, all of which, together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Richmond, Indiana this the 14th day of December, 1970.

s/ John W. Rich
Notary Public

My Commission Expires: September 23, 1974

COMMONWEALTH OF PENNSYLVANIA

COUNTY OF PHILADELPHIA

: ss.

:

I, Henry J. Garvin a Notary Public in and for the Commonwealth and county aforesaid, do hereby certify that the foregoing First Supplemental Indenture between Lexington Water Company and The Fidelity Bank was this day produced before me in my office in said Commonwealth and county by J. F. McDonald, of The Fidelity Bank, a Pennsylvania corporation and that the same was thereupon acknowledged by the said J. F. McDonald to be his free and voluntary act and deed and the free and voluntary act and deed of The Fidelity Bank, for the uses and purposes therein set forth, all of which together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director, or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Philadelphia, Pennsylvania this 11th day of Dec. 1970.

s/ Henry J. Garvin
Notary Public

Philadelphia County, Philadelphia
My Commission Expires: February 21, 1972

CERTIFICATE OF RESIDENCE

The Fidelity Bank, mortgagee and trustee within named, hereby certifies that its precise name and address is The Fidelity Bank, 135 South Broad Street, Philadelphia, Pennsylvania.

THE FIDELITY BANK

By s/ J. F. McDonald

This instrument was prepared by
Penn Center Plaza, Philadelphia, Pennsylvania.

Three

The foregoing First Supplemental Indenture was recorded on December 15, 1970 in the Office of the Clerk of the Fayette County Court in Mortgage Book 878 at Page 497 and in the Office of the Clerk of the Woodford County Court on December 15, 1970 in Mortgage Book 50 at Page 315.

CONFORMED COPY

LEXINGTON WATER COMPANY

to

THE FIDELITY BANK,

as Trustee

SUPPLEMENT TO

FIRST SUPPLEMENTAL INDENTURE

dated as of December 17, 1970

SUPPLEMENTAL TO

FIRST SUPPLEMENTAL INDENTURE

dated as of December 1, 1970

SUPPLEMENTAL TO INDENTURE,

dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 10% SERIES

SUPPLEMENT TO FIRST SUPPLEMENTAL INDENTURE, dated as of the seventeenth day of December, 1970, made by and between LEXINGTON WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and THE FIDELITY BANK, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania having its principal office and place of business in the City and County of Philadelphia, Commonwealth of Pennsylvania, (hereinafter sometimes called the "Trustee"), as Trustee under the Indenture hereinafter mentioned.

WHEREAS, the Company has heretofore executed and delivered to THE FIDELITY BANK its Indenture, dated as of May 1, 1968 (hereinafter sometimes referred to as the "Original Indenture") and its First Supplemental Indenture dated as of December 1, 1970 (hereinafter sometimes referred to as the "First Supplemental Indenture" the Original Indenture and any and all indentures supplemental thereto being hereinafter sometimes referred to as the "Indenture") to secure the payment of the principal of and the interest on all bonds at any time issued and outstanding thereunder, and to declare the terms and conditions upon which bonds may be issued thereunder; and

WHEREAS, the Company, in the exercise of the powers and authority conferred upon and reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee a Supplement to the First Supplemental Indenture in the form hereof for the purposes herein provided.

NOW THEREFORE THIS INDENTURE WITNESSETH THAT, in consideration of the sum of One Dollar to the Company duly paid by the Trustee at or before the ensealing and delivery of these presents, the Company, for itself and its successors, intending to be legally bound hereby, does hereby covenant to and agree with the Trustee and its successor in the trust, for the benefit of those who shall hold or own such bonds, or any of them, as follows:

PART I

Section 1. Pursuant to the authority granted by Section 12.01(f) of the Indenture of Mortgage dated as of May 1, 1968 ("Original Indenture"), the First Supplemental Indenture of Mortgage dated as of December 1, 1970 ("First Supplemental Indenture"), Part II, TEXT OF BONDS OF THE 10% SERIES, ("Text") is supplemented to read in the first paragraph of the said Text:

"LEXINGTON WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns, on the first day of December, 1995, at the principal office of the Trustee hereinafter named in the City of Philadelphia (or, if there be a successor trustee, at its principal office), the sum of _____ in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this bond (or from the date hereof if dated prior to June 1, 1971) until maturity, at the rate of ten per cent (10%) per annum, in like coin or currency, semi-annually on the first day of June; and the first day of December in each year, commencing on the first day of June, 1971 and the balance of such interest at maturity."

Section 2. The covenants, agreements, conditions and restrictions in the Original Indenture and First Supplemental Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein.

IN WITNESS WHEREOF, LEXINGTON WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice-Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and THE FIDELITY BANK has caused these presents to be signed in its corporate name by one of its Vice-Presidents or one of its Assistant Vice-Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

LEXINGTON WATER COMPANY

By s/ G. C. Smith
Vice President

{SEAL}

Attest:

s/ S. B. Givens
Secretary

Signed, sealed and delivered by
Lexington Water Company in the
presence of

s/ Lorraine P. Porter

s/ H. A. McKenzie

THE FIDELITY BANK

By s/ J. F. McDonald
Vice-President

{SEAL}

Attest:

s/ J. Eric Crooks
Assistant Secretary

Signed, sealed and delivered by
The Fidelity Bank in the
presence of

s/ M. L. Erickson

s/ Jo Anne Wilson

COMMONWEALTH OF KENTUCKY
COUNTY OF Fayette

: ss.
:

I, A. P. Flynn, a Notary Public in and for the Commonwealth and county aforesaid, do hereby certify that the foregoing Supplement to the First Supplemental Indenture between Lexington Water Company and The Fidelity Bank was this day produced before me in my office in said Commonwealth and county by G. C. Smith, Vice President of Lexington Water Company, a Kentucky corporation, and that the same was thereupon acknowledged before me by the said G. C. Smith to be his free and voluntary act and deed and the free and voluntary act and deed of Lexington Water Company for the uses and purposes therein set forth, all of which, together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Lexington, Kentucky this the 17th day of December, 1970.

s/ A. P. Flynn
Notary Public

My Commission Expires: October 21, 1974

COMMONWEALTH OF PENNSYLVANIA : ss.
COUNTY OF PHILADELPHIA :

I, Henry J. Garvina Notary Public in and for the
and county aforesaid, do hereby certify that the fore-
going Supplement to the First Supplemental Indenture between
Lexington Water Company and The Fidelity Bank was this day pro-
duced before me in my office in said Commonwealth and county by
J. F. McDonald, Vice President of The Fidelity Bank, a
Pennsylvania corporation and that the same was thereupon acknow-
ledged before me by the said J. F. McDonald to be his free and
voluntary act and deed and the free and voluntary act and deed of
The Fidelity Bank, for the uses and purposes therein set forth,
all of which together with this my certificate, is hereby certified
to the proper office for record.

I further certify that I am not a stockholder, director,
or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of
office at Philadelphia, Pennsylvania this 28th day of Dec. 1970.

s/ Henry J. Garvin
Notary Public

Philadelphia County, Philadelphia
My Commission Expires: February 21, 1972

CERTIFICATE OF RESIDENCE

The Fidelity Bank, mortgagee and trustee within named,
hereby certifies that its precise name and address is The Fidel-
ity Bank, 135 South Broad Street, Philadelphia, Pennsylvania.

THE FIDELITY BANK

By J. F. McDonald

This instrument was prepared by John B. Clark, Three
Penn Center Plaza, Philadelphia, Pennsylvania.

The foregoing Supplement to the First Supplemental Indenture was recorded on January 7, 1971 in the Office of the Clerk of the Fayette County Court in Mortgage Book 880 at Page 260 and in the Office of the Clerk of the Woodford County Court on January 7, 1971 in Mortgage Book 50 at Page 377.

(Conformed Copy)

KENTUCKY-AMERICAN WATER COMPANY

TO

THE FIDELITY BANK,

as Trustee

SECOND SUPPLEMENTAL INDENTURE

Dated as of September 1, 1974

SUPPLEMENTAL TO INDENTURE

Dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 9 $\frac{7}{8}$ % SERIES

Due September 1, 1999

This is a SECOND SUPPLEMENTAL INDENTURE, dated as of the first day of September, 1974, made by and between Kentucky-American Water Company (formerly Lexington Water Company), a corporate duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), party of the first part, and The Fidelity Bank, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Trustee"), party of the second part.

RECITALS

The background of this Second Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee its Indenture of Mortgage dated as of May 1, 1968 (hereinafter sometimes referred to as the "Original Indenture"), and its First Supplemental Indenture dated as of December 1, 1970 as supplemented by the Supplement dated as of December 17, 1970 (hereinafter sometimes referred to as the "First Supplemental Indenture", the Original Indenture and any and all indentures supplemental thereto being sometimes referred to as the "Indenture"), to secure the payment of the principal of and premium (if any) and the interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated under the Indenture \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series due July 1, 1993, and \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this second supplemental indenture (hereinafter sometimes referred to as the "Second Supplemental Indenture") in order to create and provide for the issue of a new series of bonds (to be known as "bonds of the 9-7/8% Series" as hereinafter provided and in the form of bond attached hereto as Exhibit A) and to prescribe with respect to the bonds of the 9-7/8% Series certain particulars as required by paragraph 2, Section 2.03 of the Original Indenture.

D. The Company proposes to procure the authentication and delivery of \$2,000,000 aggregate principal amount of bonds of the 9-7/8% Series.

E. All acts and things necessary to make the bonds of the 9-7/8% Series, when executed by the Company and authenticated and delivered by the Trustee and issued by the Company as in this Second Supplemental Indenture provided, the valid, binding and legal obligations of the Company and to constitute these presents a valid indenture and agreement according to its terms, have been done and performed, and the execution of this Second Supplemental Indenture and the issue hereunder of the bonds of the 9-7/8% Series have in all respects been duly authorized.

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the bonds of the 9-7/8% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of and premium (if any) and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect, and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Original Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof) and has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm unto The Fidelity Bank, as Trustee, and to its successors in the trust, and to them and their assigns forever, all those pieces or parcels of land more particularly identified in Exhibit B hereto, which Exhibit is hereby incorporated in and made a part of this Granting Clause as if set forth herein in full.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises or any part thereof, with the reversion and reversions, remainder and remainders, and, to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture and in Exhibit B hereto, including, without limitation, the prior lien and all the provisions of the Prior Mortgage.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever;

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture, or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture; and provided, further, that the Company may in any indenture supplemental to the Original Indenture add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS SECOND SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds, or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 9-7/8% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 9-7/8% Series due September 1, 1999" (herein sometimes referred to as the "bonds of the 9-7/8% Series"). Such bonds shall be issued with the following provisions pursuant to Article II, Section 2.03 of the Original Indenture:

(a) The bonds of the 9-7/8% Series shall bear interest from the interest payment date next preceding the date of such bonds (or if dated prior to March 1, 1975, then from the date of such bonds).

(b) The aggregate principal amount of the bonds of the 9-7/8% Series is limited to Two Million Dollars (\$2,000,000).

(c) The bonds of the 9-7/8% Series shall be issuable in the denominations of One Thousand Dollars (\$1,000) and any whole multiple thereof, shall be numbered consecutively CR-1 and upwards and shall be registered bonds without coupons.

(d) All bonds of the 9-7/8% Series shall be due September 1, 1999.

(e) The principal of and the premium (if any) and the interest on the bonds of the 9-7/8% Series shall be payable at the office or agency of the trustee in the City of Philadelphia, Pennsylvania, in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided, that interest may be paid, at the option of the Company, by check mailed to the person entitled thereto at his address last appearing upon the transfer register or registers of the Company.

(f) The bonds of the 9-7/8% Series shall be dated as of the date of their authentication, except that if any bond of the 9-7/8% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All bonds of the 9-7/8% Series shall bear interest at the rate of nine and seven-eighths per cent (9-7/8%) per annum payable semi-annually on the first day of March and the first day of September in each year, commencing on the first day of March, 1975. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The bonds of the 9-7/8% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The bonds of the 9-7/8% Series shall be redeemable at the price and on the conditions stated in the form of bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture.

(i) The bonds of the 9-7/8% Series shall be entitled to the benefits of a sinking fund as provided in Part III hereof.

(j) The bonds of the 9-7/8% Series shall not be convertible.

(k) The bonds of the 9-7/8% Series shall be exchangeable only as provided in the Original Indenture.

(l) & (m) There are no other particulars necessary to describe and define the bonds of the 9-7/8% Series within the provisions and limitations of the Indenture except as provided therein with respect to all bonds issued thereunder, and except as provided in Part III hereof there are no other provisions or agreements in respect of the bonds of the 9-7/8% Series which are for the sole benefit thereof.

(n) The form of the bonds of the 9-7/8% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

RELATING TO THE ISSUANCE OF BONDS OF THE 9-7/8% SERIES

Bonds of the 9-7/8% Series, in an aggregate principal amount not exceeding Two Million Dollars (\$2,000,000), may be executed by the Company and delivered to the Trustee for authentication, and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Second Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Indenture to be received by the Trustee as a condition to the authentication and delivery by the Trustee of bonds pursuant to said Sections 2.03 and 2.04.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 9-7/8% SERIES

SECTION 1. EXCLUSIVE BENEFIT. The covenants contained in this Part III are for the exclusive benefit of the registered owners of the bonds of the 9-7/8% Series. The exclusive right to amend or waive compliance with such covenants shall be vested solely in the registered owners of a majority in principal amount of the bonds of the 9-7/8% Series then outstanding. No benefits or duties by reason of such covenants shall be deemed to be conferred upon persons other than the registered owners of the bonds of the 9-7/8% Series, the Trustee and the Company.

SECTION 2. SINKING FUND FOR BONDS OF THE 9-7/8% SERIES.

(a) The Company shall pay to the Trustee as and for a Sinking Fund for the redemption and retirement of bonds of the 9-7/8% Series, on September 1, 1975, and on each September 1 thereafter to and including September 1, 1998, so long as any bonds of the 9-7/8% Series are outstanding (the date on which any such payment is required is hereinafter referred to as the "Sinking Fund payment date"), a sum in cash which is sufficient to redeem and retire \$60,000 in principal amount of the bonds of the 9-7/8% Series at the principal amount thereof with interest accrued thereon to the Sinking Fund payment date.

(b) On or before the thirtieth day prior to each Sinking Fund payment date the Trustee shall proceed to select for redemption, in the manner provided in Article IV of the Original Indenture for redemption of less than all the bonds of a series, bonds of the 9-7/8% Series in the aggregate principal amount redeemable with the cash required to be paid on the next following Sinking Fund payment date, and in the name of the Company shall give notice (unless the Trustee receives notice that Sinking Fund payments will be made pursuant to paragraph (d) hereof) to the persons, in the manner prescribed in Article IV of the Original Indenture, of the redemption on the Sinking Fund payment date of the bonds of the 9-7/8% Series so selected.

(c) All cash received by the Trustee pursuant to this Section shall be held by the Trustee as security for the payment of the bonds of the 9-7/8% Series and shall be applied by the Trustee to the redemption of outstanding bonds of the 9-7/8% Series, without premium, on the Sinking Fund payment date on which or for which it was so received.

(d) In the event the Company acts as its own paying agent pursuant to written agreement approved by the Trustee between the Company and the registered owners on the bonds of the 9-7/8% Series, in lieu of making Sinking Fund payments to the Trustee it may make such payments directly to the registered owners of the bonds of the 9-7/8% Series, in the manner and upon the terms provided in such written agreement and shall notify the Trustee of such action or the intention to take such action prior to the date on which the Trustee is required to take any action under this Section. Such payments shall be made by the Company without requiring presentation of bonds to the Trustee for notation of partial payments.

SECTION 3. COVENANTS IN RESPECT OF DIVIDENDS. So long as any bonds of the 9-7/8% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the bonds of the 9-7/8% Series then outstanding, no dividends shall be declared or paid on any shares of common stock of the Company, nor shall any shares of common stock of the Company be purchased or otherwise acquired by the Company, if immediately after or as the result of any such declaration, payment, purchase or other acquisition the sum of the aggregate of the capital of the Company attributable to its common stock plus the amount of all surplus accounts would be reduced to less than \$6,500,000. In determining the aggregate of the capital of the Company attributable to its common stock and the amount of all surplus accounts for the purpose hereof, any write-up or write down of assets or write-off of the excess over original cost of property made on the books of the Company subsequent to December 31, 1973 shall be disregarded.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Indenture and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Second Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture shall apply to this Second Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Second Supplemental Indenture.

PART V

REAFFIRMATION OF ORIGINAL INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Original Indenture, as presently supplemented, are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein.

PART VI

MISCELLANEOUS PROVISIONS

This Second Supplemental Indenture may be simultaneously executed in any number of counterparts and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, Kentucky-American Water Company has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and The Fidelity Bank has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

KENTUCKY-AMERICAN WATER COMPANY

By /s/ C. M. O'Day
President

(SEAL)

Attest: /s/ S. B. Givens
Secretary

Signed, sealed and delivered by
KENTUCKY-AMERICAN WATER COMPANY
in the presence of

/s/ Edna M. Philhower

/s/ Debra D. Dearing

THE FIDELITY BANK

By /s/ J. F. McDonald
Vice President

(WAL)

Attest /s/ J. H. Clapham
Assistant Secretary

Signed, sealed and delivered by
THE FIDELITY BANK in the presence
of

/s/ T. Manley

/s/ F. Robertson

STATE OF INDIANA)
) SS:
COUNTY OF WAYNE)

I, Ellen Ramel Pearl, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing Second Supplemental Indenture between Kentucky-American Water Company and The Fidelity Bank was this day produced before me in my office in said State and County by C. M. O'Day, President of Kentucky-American Water Company, a Kentucky corporation, and that the same was thereupon acknowledged by the said C. M. O'Day to be his free and voluntary act and deed and the free and voluntary act and deed of Kentucky-American Water Company for the uses and purposes therein set forth, all of which, together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Richmond, Indiana, this the 17th day of October, 1974.

/s/ Ellen Ramel Pearl
Notary Public

My Commission Expires: January 28, 1978

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF PHILADELPHIA)

I, Renee A. Rogen, a Notary Public in and for the Commonwealth and County aforesaid, do hereby certify that the foregoing Second Supplemental Indenture between Kentucky-American Water Company and The Fidelity Bank was this day produced before me in my office in said Commonwealth and County by Joseph F. McDonald, Vice President of The Fidelity Bank, a Pennsylvania corporation and that the same was thereupon acknowledged by the said Joseph F. McDonald to be his free and voluntary act and deed and the free and voluntary act and deed of The Fidelity Bank, for the uses and purposes therein set forth, all of which together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director, or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Philadelphia, Pennsylvania this 22nd day of October, 1974.

/s/ Renee A. Rogen
Notary Public

My Commission Expires: April 8, 1978

CERTIFICATE OF RESIDENCE

The Fidelity Bank, mortgagee and trustee within named, hereby certifies that its precise name and address are The Fidelity Bank, 135 South Broad Street, Philadelphia, Pennsylvania.

THE FIDELITY BANK

By /s/ J. H. Clapham
Assistant Secretary

This instrument was prepared by S. B. Givens, Esq., 1710 Sylvan
Hook Drive, Richmond, Indiana.

/s/ S. B. Givens

EXHIBIT A

(FORM OF BONDS OF THE 9-7/8% SERIES)

No. CR _____ § _____

KENTUCKY-AMERICAN WATER COMPANY
GENERAL MORTGAGE BOND, 9-7/8% SERIES

Due September 1, 1999

Kentucky-American Water Company, a corporation organized and existing under the laws of the State of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, on the first day of September, 1999 at the principal office of the Trustee hereinafter named in the City of Philadelphia (or, if there be a successor trustee, at its principal office), the sum of _____ in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this bond (or from the date hereof if dated prior to March 1, 1975) until maturity, at the rate of nine and seven-eighths per cent (9-7/8%) per annum, in like coin or currency, semi-annually on the first day of March and the first day of September in each year, commencing on the first day of March, 1975, and the balance of such interest at maturity, provided, that the interest may be paid, at the option of the Company, by check mailed to the person entitled thereto at his address last appearing upon the transfer register or registers of the Company.

This bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank, as Trustee, dated as of May 1, 1968, as supplemented by a First Supplemental Indenture dated as of December 1, 1970, as supplemented by the Supplement dated as of December 17, 1970, and a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter called the "Second Supplemental Indenture", the Original Indenture as so supplemented being hereinafter called the "Indenture"), to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This bond is one of the bonds described in the Second Supplemental Indenture and designated therein as "General Mortgage Bonds, 9-7/8% Series due September 1, 1999" (hereinafter referred to as the "bonds of the 9-7/8% Series").

The lien of the Indenture on the property of the Company is subject to the lien of the Prior Mortgage defined in the Indenture.

The bonds of the 9-7/8% Series are subject to redemption, in whole, or in part by lot, at any time and from time to time, at the option of the Company or pursuant to certain requirements of the Indenture, upon notice mailed by registered mail to the registered owners thereof, at least twenty-five days before the redemption date, all on the conditions and in the manner provided in the Indenture; provided, however, that prior to September 1, 1984 no bonds of the 9-7/8% Series may be redeemed by the use, or in anticipation of the receipt, of proceeds from any borrowing at an interest cost of less than nine and seven-eighths per cent (9-7/8%) per annum, by the Company or by an entity that directly or indirectly controls, or is controlled by or is under common control with, the Company.

If redeemed by the application of moneys derived from the sale to or other acquisition by or on behalf of one or more governments, or municipal corporations or other governmental subdivisions, bodies, authorities or agencies of any property subject to the Lien of the Indenture, or if redeemed in any way incident to the sale to or other acquisition by or on behalf of one or more governments, or municipal corporations or other governmental subdivisions, bodies, authorities or agencies of all or substantially all of the Company's assets or common stock, or if redeemed through operation of the Sinking Fund provided for in Part III, Section 2 of the Second Supplemental Indenture, the bonds of the 9-7/8% Series shall be redeemable at the principal amount thereof, together with interest accrued thereon to the date fixed for redemption. If redeemed otherwise than as set forth in the preceding sentence, the bonds of the 9-7/8% Series shall be redeemable at the redemption price, at the time applicable, as set forth in the following schedule, together with accrued interest to the date fixed for redemption:

<u>Period</u> <u>If Redeemed During the</u> <u>12 Months Commencing</u>	<u>Redemption Price</u> <u>(Percentage of</u> <u>Principal Amount):</u>
September 1, 1974	109.375
September 1, 1975	109.355
September 1, 1976	108.835
September 1, 1977	108.315
September 1, 1978	107.795
September 1, 1979	107.275
September 1, 1980	106.755
September 1, 1981	106.235
September 1, 1982	105.715
September 1, 1983	105.195
September 1, 1984	104.675
September 1, 1985	104.155
September 1, 1986	103.635
September 1, 1987	103.115
September 1, 1988	102.595
September 1, 1989	102.075
September 1, 1990	101.555
September 1, 1991	101.035
September 1, 1992	100.515
September 1, 1993	100.000

And thereafter to maturity at 100% of the principal amount.

If this bond, or any portion hereof, is called for redemption and payment thereof is duly provided for as specified in the Indenture, interest shall cease to accrue hereon or on such portion, as the case may be, from and after the date fixed for redemption.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium (if any) and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds in the manner hereinabove provided with respect to the redemption of bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of or premium or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the bonds of the 9-7/8% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds per cent (66 2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent (66 2/3%) in principal amount of the bonds of the series so affected then outstanding under the Indenture, and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this bond, or a reduction in the principal amount hereof or the premium (if any) or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium (if any) or interest on, this bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds of the 9-7/8% Series in authorized denominations, of a like aggregate principal amount; and the registered owner of any bond or bonds of the 9-7/8% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until The Fidelity Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, Kentucky-American Water Company has caused this bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By
President

Attest:
Secretary

TRUSTEE'S AUTHENTICATION CERTIFICATE

This bond is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

THE FIDELITY BANK,
as Trustee

By
Authorized Officer

EXHIBIT B

(KENTUCKY-AMERICAN WATER COMPANY)

All those pieces or parcels of land situate in the County of Fayette, Commonwealth of Kentucky, conveyed to the Company by the instruments referred to below, all of which have been recorded as indicated below in the Recorder's Office of said County:

<u>Grantor</u>	<u>Date of Deed</u>	Recording Data	
		<u>Book Number</u>	<u>Page Number</u>
Athens-Boonesboro Road Water District	3/13/72	1040	331
Russell Cave Water District	4/24/72	1044	30
First Security National Bank and Trust Company of Lexington	4/2/73	1075	381
Dixie Plantation Company, Inc.	2/11/74	1099	628

All those pieces or parcels of land situate in the County of Scott, Commonwealth of Kentucky, conveyed to the Company by the instruments referred to below, all of which have been recorded as indicated below in the Recorder's Office of said County:

<u>Grantor</u>	<u>Date of Deed</u>	Recording Data	
		<u>Book Number</u>	<u>Page Number</u>
West Scott County Water District	12/28/73	123	526

KENTUCKY-AMERICAN WATER COMPANY

The foregoing Second Supplemental Indenture was recorded as follows: on November 1, 1974, in the Office of the Clerk of the Fayette County Court in Mortgage Book 290, Page 427; on November 1, 1974, in the Office of the Clerk of the Bourbon County Court in Mortgage Book 146, Page 716; on November 1, 1974 in the Office of the Clerk of the Woodford County Court, in Mortgage Book 60, Page 532; on November 1, 1974, in the Office of the Clerk of the Harrison County Court, in Mortgage Book 63, Page 45; and, on November 1, 1974, in the Office of the Clerk of the Scott County Court, in Mortgage Book 120, Page 527.

[CONFORMED COPY]

KENTUCKY-AMERICAN WATER COMPANY

TO

THE FIDELITY BANK,
as Trustee

THIRD SUPPLEMENTAL INDENTURE

dated as of November 1, 1977

SUPPLEMENTAL TO INDENTURE OF MORTGAGE

dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 8½% SERIES
Due November 1, 1997

This is a THIRD SUPPLEMENTAL INDENTURE, dated as of the first day of November, 1977, made by and between KENTUCKY-AMERICAN WATER COMPANY (formerly Lexington Water Company), a corporation duly organized and existing under the laws of the State of Illinois (hereinafter called the "Company"), and THE FIDELITY BANK, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Third Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter sometimes referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970 as supplemented by the Supplement dated as of December 17, 1970 (hereinafter sometimes referred to as the "First Supplemental Indenture"), and (c) a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter sometimes referred to as the "Second Supplemental Indenture"), the Original Indenture and any and all indentures supplemental thereto being sometimes referred to hereinafter as the "Indenture", to secure the payment of the principal of and premium (if any) and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7 3/8% Series due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series due December 1, 1995, all of which bonds are presently outstanding, and (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9 7/8% Series, due September 1, 1999, \$1,820,000 of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this third supplemental indenture (hereinafter sometimes referred to as the "Third Supplemental Indenture") in order to create and provide for the issue of a new series of bonds (to be known as "bonds of the 8 1/2% Series as hereinafter provided in this Third Supplemental Indenture and in the form of bond attached hereto as Exhibit A) and to prescribe with respect to the bonds of the 8 1/2% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture.

D. The Company proposes to procure the authentication and delivery of an issue of \$3,000,000 aggregate principal amount of bonds of the 8 1/2% Series.

E. All things necessary to make the bonds of the 8 1/2% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as in this Third Supplemental Indenture provided, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Third Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the bonds of the 8 1/2% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS THIRD SUPPLEMENTAL INDENTURE WITNESSETH, that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the bonds of the 8 1/2% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of and premium (if any) and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect, and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Original Indenture and in Exhibit B to the Second Supplemental Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof) and has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm, unto The Fidelity Bank, as Trustee, and to its successors in the trust, and to them and their assigns forever, all those pieces or parcels of land more particularly identified in Exhibit B hereto, which Exhibit is hereby incorporated in and made a part of this Granting Clause as if set forth herein in full.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture, including, without limitation, the prior lien and all the provisions of the Prior Mortgage, as defined in Article XVI of the Original Indenture.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture; and provided, further, that the Company may in any indenture supplemental to the Original Indenture add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS THIRD SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds, or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 8 1/2% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 8 1/2% Series due November 1, 1997", herein called the "bonds of the 8 1/2% Series". The following terms are hereby prescribed for the bonds of the 8 1/2% Series, in accordance with paragraph 2 of Section 2.03 of the Indenture:

(a) Every bond of the 8 1/2% Series dated prior to May 1, 1978, the first interest payment date for such bonds, shall bear interest from the date of such bond.

(b) The aggregate principal amount of the bonds of the 8 1/2% Series is limited to \$3,000,000.

(c) The bonds of the 8 1/2% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively DR-1 and upwards, and shall all be registered bonds without coupons.

(d) All bonds of the 8 1/2% Series shall be due November 1, 1997.

(e) The principal of and the premium (if any) and the interest on the bonds of the 8 1/2% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

(f) The bonds of the 8 1/2% Series shall be dated as of the date of their authentication, except that if any bond of the 8 1/2% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All bonds of the 8 1/2% Series shall bear interest until maturity at the rate of eight and one-half per cent (8 1/2%) per annum, payable semi-annually on the first day of May and November of each year, commencing on the first day of May, 1977, and the balance of such interest at maturity. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The bonds of the 8 1/2% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The bonds of the 8 1/2% Series shall be redeemable at the price and on the conditions stated in the form of bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture; except that if less than all of the bonds of the 8 1/2% Series are to be redeemed the particular bonds of the 8 1/2% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding bonds of the 8 1/2% Series by prorating (in the proportion that the principal amount of bonds

of the 8 1/2% Series held by each registered owner bears to the total principal amount of outstanding bonds of the 8 1/2% Series) the principal amount of bonds of the 8 1/2% Series to be redeemed among the registered owners of bonds of the 8 1/2% Series. In any proration pursuant to this Section, the Trustee shall make any adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall be a sinking fund for the retirement of bonds of the 8 1/2% Series, as more particularly recited in full in Part IV hereof.

(j) The bonds of the 8 1/2% Series shall not be convertible.

(k) The bonds of the 8 1/2% Series shall be exchangeable only as provided in the Original Indenture.

(l) There are no other particulars necessary to describe and define the bonds of the 8 1/2% Series within the provisions and limitations of the Original Indenture except as provided therein with respect to all bonds issued thereunder.

(m) Except as hereinafter provided in Part IV of this Third Supplemental Indenture, there are no provisions or agreements in respect of the bonds of the 8 1/2% Series which are for the sole benefit thereof.

(n) The text of the bonds of the 8 1/2% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 8 1/2% SERIES

The bonds of the 8 1/2% Series, as hereinabove defined in Recital C, may be executed by the Company and delivered to the Trustee for authentication, and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Third Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

AMENDMENTS AND SUPPLEMENTS

The following amendments and supplements shall be made in the Indenture:

SECTION 1. There is hereby added an additional section at the end of Article I of the Original Indenture (page 14) which shall be designated "Section 1.12" and shall read as follows:

"Section 1.12. Notwithstanding any contrary provisions in this Indenture, the Company may enter into a written agreement with any owner of any bond of any series, so long as all of the bonds of that series may be issued only in the form of registered bonds without coupons, providing for the payment to such owner of portions (but not all) of the principal of and the premium, if any, and interest on such bond at a place other than the place specified in such bond as the place for such payment without the necessity of presenting the bond for notation thereon or surrendering the bond for a new bond; provided that (a) if such agreement permits any such payments to be made by the Company directly to the owner of such bond, such agreement must be satisfactory to the Trustee in form and substance, (b) there shall be filed with the Trustee a duplicate original of such agreement, and (c) such agreement shall provide that in each case in which payment of principal is so made, such owner shall not sell, transfer or otherwise dispose of such bond unless he shall have caused notation to be made thereon of all payments of principal on such bond and the last interest payment date to which interest has been paid on such bond and prior to delivery thereof such bond shall have been presented to the Trustee for inspection or surrendered in exchange for a new bond or bonds for the unpaid balance of the principal amount thereof. The Trustee is authorized to approve, and to act in accordance with, any such agreement and shall not be liable or responsible to any such owner or to the Company or to any other person for any act or omission to act on the part of the Company or any such owner in connection with any such agreement. For the purpose of this Section 1.12, the term 'owner' shall include, in addition to the registered owner of any bond or bonds, the purchaser named in any contract with the Company for the purchase of such bond or bonds or the person or entity for whom such owner is a nominee."

SECTION 2. Section 2.03 of the Original Indenture (page 14) is hereby amended as follows:

(a) Paragraph 2(h) of Section 2.03 (page 15) is hereby amended to read as follows:

"(h) provisions (if any) as to redemption and the terms, conditions and manner thereof, which may differ from those set forth in Article IV of this Indenture;"

(b) Paragraph 2(i) of Section 2.03 (page 15) is hereby amended to read as follows:

"(i) provisions (if any) for a sinking, purchase or analogous fund for the retirement of bonds of such series and the terms, conditions and manner thereof, which may differ from those set forth in Article IV of this Indenture;"

SECTION 3. There is hereby added an additional section at the end of Article III of the Original Indenture (page 31) which shall be designated "Section 3.18" and shall read as follows:

"Section 3.18. With the written consent of the registered owners of not less than sixty-six and two thirds per cent. (66 2/3%) in principal amount of the bonds then outstanding under this Indenture, compliance with any provision of any covenant, agreement or condition of this Article III (except for Section 3.02) or any other provision of this Indenture (except (i) as contained in Exclusive Benefit Covenants and (ii) as set forth in the second proviso in the first sentence of Article XV of this Indenture), may be waived, either generally or in particular instances, on behalf of the registered owners of all bonds then outstanding; provided, however, that if such consent shall pertain to Sections 3.12, 3.15 or 3.16 no such consent shall be effective unless also consented to in writing by the registered owners of not less than sixty-six and two-thirds per cent. (66 2/3%) in principal amount of each series of bonds then outstanding. Any act or thing which the Company may do or omit to do in accordance with any such consent shall not be deemed to constitute a violation or a default under this Indenture. Any such written consent may be given either before or after the time for compliance with such provision of this Indenture, shall be filed with the Trustee and shall be binding on all registered owners of all bonds then or at any time thereafter outstanding. Notwithstanding the foregoing, compliance with any Exclusive Benefit Covenant may be so waived by the registered owners of such percentage (which, unless otherwise provided in the supplemental indenture establishing the Exclusive Benefit Covenant, shall be sixty-six and two-thirds per cent. (66 2/3%)) of any one or more series of the bonds as may be specified in such supplemental indenture without any requirement for the waiver by the registered owners of any other series of bonds outstanding under this Indenture."

SECTION 4. Section 7.01 of the Original Indenture (page 54) is hereby amended as follows:

(a) Paragraph (c) of Section 7.01 (page 54) is hereby amended to read as follows:

"(c) default shall be made by the Company in the observance or performance of any of the other covenants, agreements or conditions on its part in this Indenture or in any supplemental indenture contained for the benefit of all of the registered owners of bonds outstanding and such default shall continue for sixty (60) days after written notice to the Company by the Trustee electing to treat such event as an event of default, which notice may be given by the Trustee in its discretion, and shall be given at the written request of the registered owners of not less than ten per cent. (10%) in principal amount of the bonds then outstanding; or"

(b) After the semicolon at the end of paragraph (g) of Section 7.01 (page 55), add the word "or".

(c) Immediately after said paragraph (g), add an additional paragraph which shall be designated and shall read as follows:

"(h) default shall be made by the Company in the observance or performance of any Exclusive Benefit Covenant (other than a default in the observance or performance of any covenant requiring payment to any sinking, amortization, purchase or other analogous fund, which shall continue to be governed by paragraph (b) of this Section 7.01) and such default shall continue for a designated number of days (which, unless otherwise provided in the supplemental indenture establishing the Exclusive Benefit Covenant, shall be sixty (60) days) after written notice to the Company by the Trustee electing to treat such event as an event of default, which notice shall only be given by the Trustee at the written request of the registered owners of not less than a designated percentage (which, unless otherwise provided in the supplemental indenture establishing the Exclusive Benefit Covenant, shall be ten per cent. (10%) in principal amount of the bonds then outstanding) of the bonds then outstanding of the series for the protection or benefit of which such Exclusive Benefit Covenant is made;"

(d) At the end of Section 7.01 (page 56), add a sentence which shall read as follows:

"Anything in this Section 7.01 to the contrary notwithstanding, the rights of the Trustee and of the registered owners of all the bonds (or a given percentage thereof) under this Section 7.01 in the event of a default by the Company in the observance or performance of any Exclusive Benefit Covenant may be exercised only by the registered owners of the series of bonds for the protection or benefit of which such Exclusive Benefit Covenant is made and in accordance with such provisions, if any, as are set forth in the supplemental indenture establishing the Exclusive Benefit Covenant, but only to the extent that such provisions are not inconsistent with the other provisions of this Article VII."

SECTION 5. Paragraph (b) of Section 12.01 of the Original Indenture (page 83) is hereby amended to read as follows:

"(b) To add to the covenants, agreements and conditions of the Company contained in this Indenture, Exclusive Benefit Covenants or further covenants, agreements and conditions for the protection or benefit of the bonds of all series, and in respect of any Exclusive Benefit Covenant (other than any covenant requiring payment to any sinking, amortization, purchase or other analogous fund, which shall be governed by paragraph (b) of Section 7.01) such supplemental indenture may provide for a particular period of grace after default and may establish the percentage or percentages (which may differ) of any one or more series of the bonds which may (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend, such Exclusive Benefit Covenant."

SECTION 6. The first paragraph of Article XV of the Original Indenture (page 87) is hereby amended to read as follows:

"Amendments and modifications of this Indenture, or of any indenture supplemental hereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued under this Indenture, may be made with the written consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent. (66 2/3%) in principal amount of the bonds then outstanding under this Indenture; provided that any amendment or modification which will affect the rights under this Indenture or any indenture supplemental hereto of the owners of one or more, but less than all, of the series of bonds outstanding under this Indenture or which will amend or modify any Exclusive Benefit Covenant may be made only with the written consent

of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent. (66 2/3%) in total principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under this Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of the registered owners of bonds outstanding under this Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of each registered owner of any bond affected thereby no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on any bond, or a reduction in the principal amount of any bond or the premium (if any) or the rate of interest thereon, or otherwise affect the terms of payment of the principal of or premium (if any), or interest on, any bonds, or reduce the percentage of principal amount of bonds required by this Article XV for the taking of any action hereunder."

SECTION 7. There is hereby added an additional definition at the end of Article XVI of the Original Indenture (page 92) which shall be designated and shall read as follows:

"11. The term "Exclusive Benefit Covenant" shall mean any covenant, agreement or condition that is expressly stated to be solely for the protection or benefit of the registered owners of the bonds of one or more but less than all series of bonds."

PART IV

COVENANTS WITH RESPECT TO BONDS OF THE 8 1/2% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenants, agreements and conditions contained in this Part IV are solely for the protection and benefit of the registered owners of the bonds of the 8 1/2% Series and are therefore Exclusive Benefit Covenants as defined in the Indenture, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend, any of such Exclusive Benefit Covenants shall be vested solely in the registered owners of a majority in principal amount of the bonds of the 8 1/2% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenants shall be deemed to be conferred upon persons other than the registered owners of the bonds of the 8 1/2% Series, the Trustee and the Company.

SECTION 2. SINKING FUND FOR BONDS OF THE 8 1/2% SERIES.

(a) The Company shall pay to the Trustee as and for a Sinking Fund for the redemption and retirement of bonds of the 8 1/2% Series, on November 1, 1978 and on each November 1 thereafter to and including November 1, 1996, so long as any bonds of the 8 1/2% Series are outstanding (the date on which any such payment is required is hereinafter referred to as the "Sinking Fund payment date"), a sum in cash which is sufficient to redeem and retire \$60,000 in principal amount of the bonds of the 8 1/2% Series at the principal amount thereof with interest accrued thereon to the Sinking Fund payment date.

(b) On or before the thirtieth day prior to each Sinking Fund payment date the Trustee shall proceed to select for redemption, in the manner hereinabove provided in Section 1 (h) of Part I, bonds of the 8 1/2% Series in the aggregate principal amount redeemable with the cash required to be paid on the next following Sinking Fund payment date, and in the name of the Company shall give notice to the persons, in the manner prescribed in Article IV of the Original Indenture, of the redemption on the Sinking Fund payment date of the bonds of the 8 1/2% Series so selected.

(c) All cash received by the Trustee pursuant to this Section shall be held by the Trustee as security for the payment of the bonds of the 8 1/2% Series and shall be applied by the Trustee to the redemption of outstanding bonds of the 8 1/2% Series, without premium, on the Sinking Fund payment date on which or for which it was so received.

SECTION 3. COVENANT IN RESPECT OF DIVIDENDS. After the bonds of the 8 1/2% Series have been authenticated and delivered, and so long as any bonds of the 8 1/2% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the bonds of the 8 1/2% Series then outstanding, no dividends shall be declared or paid on any shares of common stock of the Company, nor shall any shares of common stock of the Company be purchased or otherwise acquired by the Company, if immediately after or as the result of any such declaration, payment, purchase or other acquisition the sum of the aggregate of the capital of the Company attributable to its common stock plus the amount of all surplus accounts would be reduced to less than \$6,400,000. In determining the aggregate of the capital of the Company attributable to its common stock and the amount of all surplus accounts for the purpose hereof, any write-up or write-down of assets or write-off of the excess over original cost of property made on the books of the Company subsequent to December 31, 1976 shall be disregarded.

SECTION 4. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL
BONDS.

(a) So long as any of the bonds of the 8 1/2% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the bonds of the 8 1/2% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 4 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be issued by the Trustee, has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or a Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total income (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating

and nonoperating expenses and charges, including maintenance and depletion as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 4, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 4 shall not limit the power of the Company to issue nor of the Trustee to authenticate bonds under the provisions of Sections 1.04 - 1.11, inclusive, of the Original Indenture in connection with exchanges and transfers.

PART V

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as heretofore amended and supplemented, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Third Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as heretofore amended and supplemented, shall apply to this Third Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Third Supplemental Indenture.

PART VI

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Original Indenture, the First Supplemental Indenture and the Second Supplemental Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein.

PART VII

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Third Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture.

This Third Supplemental Indenture may be simultaneously executed in any number of counterparts and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY, has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and THE FIDELITY BANK has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

KENTUCKY-AMERICAN WATER COMPANY

By /s/ J. James Barr
President

(SEAL)

Attest:

 /s/ S. B. Givens
Secretary

Signed, sealed and delivered by
KENTUCKY-AMERICAN WATER COMPANY
in the presence of:

 /s/ Sharon Davidson

 /s/ John J. Norris

THE FIDELITY BANK

By /s/ J. F. McDonald
Vice President

(SEAL)

Attest:

 /s/ J. H. Clapham
Assistant Secretary

Signed, sealed and delivered by THE
FIDELITY BANK in the presence of:

 /s/ Cynthia Bohn

 /s/ S. Cohen

EXHIBIT A

(FORM OF BOND OF THE 8 1/2% SERIES)

No. DR-

§

KENTUCKY-AMERICAN WATER COMPANY

GENERAL MORTGAGE BOND, 8 1/2% SERIES DUE NOVEMBER 1, 1997

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the State of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, on the first day of November, 1997, at the principal office of the Trustee hereinafter named in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of

_____ Dollars in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this bond (or, if this bond be dated prior to May 1, 1977, from the date hereof) until maturity, at the rate of eight and one-half per cent. (8 1/2%) per annum, in like coin or currency, semi-annually on the first day of May and the first day of November in each year, commencing on the first day of May, 1978, and the balance of such interest at maturity.

This bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank, as Trustee, dated as of May 1, 1968, as supplemented and amended by a First Supplemental Indenture dated as of December 1, 1970, as supplemented by the Supplement dated as of December 17, 1970, a Second Supplemental Indenture dated as of September 1, 1974, and a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter called the "Third Supplemental Indenture"), the Original Indenture as so supplemented and amended being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security.

As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This bond is one of the bonds described in the Third Supplemental Indenture and designated therein as "General Mortgage Bonds, 8 1/2% Series due November 1, 1997" (hereinafter referred to as the "bonds of the 8 1/2% Series").

The lien of the Indenture on the property of the Company is subject to the lien of the Prior Mortgage as defined in the Indenture.

The bonds of the 8 1/2% Series are subject to redemption, in whole or in part, at any time and from time to time, at the option of the Company or pursuant to certain requirements of the Indenture, upon notice mailed by registered mail to the registered owners thereof, at least twenty-five days before the redemption date, all on the conditions and in the manner provided in the Indenture; provided, however, that prior to November 1, 1987, no bonds of the 8 1/2% Series may be redeemed by the use, or in anticipation of the receipt of proceeds from any borrowing at an interest cost of less than eight and one-half per cent. (8 1/2%) per annum, if such borrowing is by the Company or by an entity that directly or indirectly controls, or is controlled by or is under common control with, the Company and is for the purpose of providing funds to the Company for such redemption.

Bonds of the 8 1/2% Series shall be redeemable (a) if redeemed through the operation of the Sinking Fund referred to in Section 2 of Part IV of the Third Supplemental Indenture, or by the use, or in anticipation of the receipt, of moneys derived from the sale to, or other acquisition by or on behalf of, one or more governments or municipal corporations or other governmental subdivisions, bodies, authorities or agencies of any of the assets or stock of the Company or any of the assets of a subsidiary of the Company (including any such sale to or acquisition by an intermediary or intermediaries acquiring such assets or stock under an arrangement for the resale or other disposition thereof to one or more governments or municipal corporations or other governmental subdivisions, bodies, authorities or agencies), at a redemption price of 100% of the principal amount thereof, or (b) if redeemed otherwise than as described in the preceding clause (a), at the redemption price at the time applicable as set forth in the following schedule, in each case together with interest accrued on such bonds to the date fixed for their redemption:

<u>If Redeemed During the</u> <u>12 Months Commencing</u>	<u>Redemption Price</u> <u>(Percentage of</u> <u>Principal Amount)</u>
November 1, 1977	108.500
November 1, 1978	108.000
November 1, 1979	107.500
November 1, 1980	107.000
November 1, 1981	106.500
November 1, 1982	106.000
November 1, 1983	105.500
November 1, 1984	105.000
November 1, 1985	104.500
November 1, 1986	104.000
November 1, 1987	103.500
November 1, 1988	103.000
November 1, 1989	102.500
November 1, 1990	102.000
November 1, 1991	101.500
November 1, 1992	101.000
November 1, 1993	100.500
November 1, 1994	100.000
And thereafter to maturity at 100% of the principal amount.	

If this bond, or any portion hereof, is called for redemption and payment thereof is duly provided for as specified in the Indenture, interest shall cease to accrue hereon or on such portion, as the case may be, from and after the date fixed for redemption.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee

available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium (if any) and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds in the manner hereinabove provided with respect to the redemption of bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of or premium or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the bonds of the 8 1/2% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the written consent of the Company by the written consent of the

registered owners of not less than sixty-six and two-thirds per cent. ($66 \frac{2}{3}\%$) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent. ($66 \frac{2}{3}\%$) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this bond, or a reduction in the principal amount hereof or the premium (if any) or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium (if any) or interest on, this bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for modification or alteration of the Indenture, or of any indenture supplemental thereto.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds of the $\$ 1\frac{1}{2}\%$ Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any bond or bonds of the $\$ 1\frac{1}{2}\%$ Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and the obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This bond shall not be entitled to any benefit under the Indenture or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until The Fidelity Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By

President.

ATTEST:

Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE FOR BONDS OF THE
B 1/2% SERIES)

Trustee's Authentication Certificate

This bond is one of the bonds, of the series designated therein, described in the within-mentioned Third Supplemental Indenture.

THE FIDELITY BANK, as Trustee

By

Authorized Officer

EXHIBIT B

(KENTUCKY-AMERICAN WATER COMPANY)

I

All of the pieces or parcels of land situate in Fayette County, State of Kentucky, conveyed to the Company by the respective instruments referred to below, which have been recorded as indicated below in the Recorder's Office of said County:

<u>Grantor</u>	<u>Date of Deed</u>	<u>Recording Data</u>	
		<u>Book Number</u>	<u>Page Number</u>
Warfield Crawley and Billie Christine Crawley	October 29, 1973	1095	53
Sallie Crawley, Thurman Crawley and Lucille Crawley, Warfield Crawley and Billie Crawley, Emma Frances Curtis, Anna Neal and Lee Roy Neal and Nancy Neal	April 29, 1975	1127	357
Mary Eugenia Wharton	November 15, 1976	1161	133

All of the pieces or parcels of land situate in Scott County, State of Kentucky, conveyed to the Company by the respective instruments referred to below, which have been recorded as indicated below in the Recorder's Office of said County:

George Eddie Marshall and Litha T. Marshall	January 11, 1975	127	209
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STATE OF INDIANA)
) SS:
COUNTY OF WAYNE)

I, Ellen Ramel Pearl, a Notary Public in and for the State and County aforesaid, do hereby certify that the foregoing Third Supplemental Indenture between Kentucky-American Water Company and The Fidelity Bank was this day produced before me in my office in said State and County by J. James Barr, President of Kentucky-American Water Company, a Kentucky corporation, and that the same was thereupon acknowledged by the said J. James Barr to be his free and voluntary act and deed and the free and voluntary act and deed of Kentucky-American Water Company for the uses and purposes therein set forth, all of which, together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Richmond, Indiana this 6th day of December, 1977.

_____/s/ Ellen Ramel Pearl_____
Notary Public

My Commission Expires: January 28, 1978

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF PHILADELPHIA)

I, Robert Borish, a Notary Public in and for the Commonwealth and County aforesaid, do hereby certify that the foregoing Third Supplemental Indenture between Kentucky-American Water Company and The Fidelity Bank was this day produced before me in my office in said Commonwealth and County by Joseph F. McDonald, Vice President of The Fidelity Bank, a Pennsylvania corporation and that the same was thereupon acknowledged by the said Joseph F. McDonald to be his free and voluntary act and deed and the free and voluntary act and deed of The Fidelity Bank, for the uses and purposes therein set forth, all of which together with this my certificate, is hereby certified to the proper office for record.

I further certify that I am not a stockholder, director or official of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and seal of office at Philadelphia, Pennsylvania this 9th day of December, 1977.

_____/s/ Robert Borish_____
Notary Public

My Commission Expires: Robert Borish
Notary Public, Philadelphia, Philadelphia Co.
My Commission Expires June 26, 1978

CERTIFICATE OF RESIDENCE

The Fidelity Bank, mortgagee and trustee within named, hereby certifies that its precise name and address are The Fidelity Bank, 135 South Broad Street, Philadelphia, Pennsylvania.

THE FIDELITY BANK

By /s/ J. H. Clapham
Assistant Secretary

This instrument was prepared by S. B. Givens, Esq., 1710 Sylvan Hook Drive, Richmond, Indiana.

KENTUCKY-AMERICAN WATER COMPANY

The foregoing Third Supplemental Indenture was recorded as follows: on December 12, 1977, in the Office of the Clerk of the Fayette County Court in Mortgage Book 1075, Page 99; on December 14, 1977, in the Office of the Clerk of the Bourbon County Court in Mortgage Book 156, Page 573; on December 12, 1977, in the Office of the Clerk of the Woodford County Court, in Mortgage Book 71, Page 286; on December 14, 1977, in the Office of the Clerk of the Harrison County Court, in Mortgage Book 70, Page 451; and, on December 14, 1977, in the Office of the Clerk of the Scott County Court, in Mortgage Book 134, Page 107.

KENTUCKY-AMERICAN WATER COMPANY
(Formerly Lexington Water Company)

TO

THE FIDELITY BANK,
as Trustee

FOURTH SUPPLEMENTAL INDENTURE

Dated as of December 1, 1982

SUPPLEMENTAL TO INDENTURE OF MORTGAGE

Dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 14% SERIES
Due December 1, 1992

This is a FOURTH SUPPLEMENTAL INDENTURE, dated as of the first day of December 1982, made by and between KENTUCKY-AMERICAN WATER COMPANY (formerly Lexington Water Company), a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and THE FIDELITY BANK, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Fourth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter sometimes referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, as supplemented by the Supplement dated as of December 17, 1970 (hereinafter sometimes referred to as the "First Supplemental Indenture"), (c) a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter sometimes referred to as the "Second Supplemental Indenture"), (d) a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter sometimes referred to as the "Third Supplemental Indenture"), the Original Indenture and any and all indentures supplemental thereto, being sometimes referred to hereinafter as the "Indenture"), to secure the payment of the principal of and premium (if any) and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7 3/8% Series due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds 10% Series due December 1, 1995, all of which bonds are presently outstanding, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9 7/8% Series due September 1, 1999, \$1,500,000 aggregate principal amount of which

bonds are presently outstanding, and (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series due November 1, 1997, \$2,700,000 aggregate principal amount of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this fourth supplemental indenture (hereinafter sometimes referred to as the "Fourth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds (to be known as "bonds of the 14% Series" as hereinafter provided in this Fourth Supplemental Indenture and in the form of bond attached hereto as Exhibit A) and to prescribe with respect to the bonds of the 14% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture.

D. The Company proposes to procure the authentication and delivery of an issue of \$6,000,000 aggregate principal amount of bonds of the 14% Series.

E. All things necessary to make the bonds of the 14% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as in this Fourth Supplemental Indenture provided, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Fourth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the bonds of the 14% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS FOURTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the bonds of the 14% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of and premium (if any)

and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect, and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, (except such thereof as may heretofore have been released from lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture, including, without limitation, the prior lien and all the provisions of the Prior mortgage, as defined in Article XVI of the Original Indenture.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of

any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture; and provided, further, that the Company may in any indenture supplemental to the Original Indenture add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS FOURTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds, or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 14% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 14% Series due December 1, 1992" herein called the "bonds of the 14% Series". The following terms are hereby prescribed for the bonds of the 14% Series, in accordance with paragraph 2 of Section 2.03 of the Indenture:

(a) Every bond of the 14% Series dated prior to June 1, 1983, the first interest payment date for such bonds, shall bear interest from the date of such bond.

(b) The aggregate principal amount of the bonds of the 14% Series is limited to \$6,000,000.

(c) The bonds of the 14% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively ER-1 and upwards, and shall all be registered bonds without coupons.

(d) All bonds of the 14% Series shall be due December 1, 1992.

(e) The principal of and the premium (if any) and the interest on the bonds of the 14% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts; provided that interest may be paid by agreement of the Company with the registered owner of the bond by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

(f) The bonds of the 14% Series shall be dated as of the date of their authentication, except that if any bond of the 14% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All bonds of the 14% Series shall bear interest until the principal thereof is paid or duly provided for at the rate of fourteen per cent. (14%) per annum, payable semi-annually on the first day of June and December of each year, commencing on the first day of June, 1983. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The bonds of the 14% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The bonds of the 14% Series shall only be redeemable at the price and on the conditions stated in the form of bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture;

except that if less than all of the bonds of the 14% Series are to be redeemed the particular bonds of the 14% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding bonds of the 14% Series prorating (in the proportion that the principal amount of bonds of the 14% Series held by each registered owner bears to the total principal amount of outstanding bonds of the 14% Series) the principal amount of bonds of the 14% Series to be redeemed among the registered owners of bonds of the 14% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of bonds of the 14% Series.

(j) The bonds of the 14% Series shall not be convertible.

(k) The bonds of the 14% Series shall be exchangeable only as provided in the Original Indenture.

(l) In the event that an interest payment date or a date fixed for redemption of any bond of the 14% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of interest or principal (and premium if any) need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment is to be made are authorized by law to close, with the same force and effect as if made on the date of maturity, interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Fourth Supplemental Indenture, there are no provisions or agreements in respect of the bonds of the 14% Series which are for the sole benefit thereof.

(n) The text of the bonds of the 14% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 14% SERIES

The bonds of the 14% Series, as hereinabove defined in Recital C, may be executed by the Company and delivered to the Trustee for authentication, and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Fourth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 14% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenants, agreements and conditions contained in this Part III are solely for the protection and benefit of the registered owners of the bonds of the 14% Series and are therefore Exclusive Benefit Covenants as defined in the Indenture, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend, any of such Exclusive Benefit Covenants shall be vested solely in the registered owners of a majority in principal amount of the bonds of the 14% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenants shall be deemed to be conferred upon persons other than the registered owners of the bonds of the 14% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the bonds of the 14% Series are outstanding, without the consent of the

registered owners of at least a majority in principal amount of the bonds of the 14% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term debt outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 3 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be issued by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total income (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale

of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period of which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of Section 1.04 - 1.11, inclusive, of the Original Indenture in connection with exchanges and transfers.

SECTION 3. COVENANT IN RESPECT OF DIVIDENDS. After the bonds of the 14% Series have been authenticated and delivered, and so long as any bonds of the 14% Series are outstanding, without the consent of the registered owners of at least sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds of the 14% Series then outstanding, no dividends shall be declared or paid on any shares of common stock of the Company, nor shall any shares of common stock of the Company be purchased or otherwise acquired by the Company, if immediately after or as the result of any such declaration, payment, purchase or other acquisition the sum of the aggregate of the capital of the Company attributable to its common stock, paid-in capital and retained earnings shall be in an amount less than \$10,000,000, including \$3,000,000 of common stock issued in conjunction with the issue of the bonds of the 14% Series. In determining the aggregate of the capital of the Company attributable to its common stock and the amount of all surplus accounts for the purpose hereof, any write-up or write-down of assets or write-off of the excess over original cost of property made on the books of the Company subsequent to December 31, 1981 shall be disregarded.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fourth Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture shall apply to this Fourth

Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fourth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions contained herein shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Fourth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture.

This Fourth Supplemental Indenture may be simultaneously executed in any number of counterparts and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and THE FIDELITY BANK has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

KENTUCKY-AMERICAN WATER COMPANY

By *D. L. Edgeman*
Vice President

(SEAL)

Attest:

J. B. Green
Assistant Secretary

Signed, sealed and delivered
by KENTUCKY-AMERICAN WATER
COMPANY in the presence of:

Shirley J. Charles
David J. Banning

THE FIDELITY BANK

By *J. M. ...*
Vice President

(SEAL)

Attest:

By *F. ...*
Assistant Secretary

Signed, sealed and delivered
by THE FIDELITY BANK
in the presence of:

Deborah Amaglio
Allen Murray

EXHIBIT A

(FORM OF BOND OF 14% SERIES)

No. ER-

\$

KENTUCKY-AMERICAN WATER COMPANY

GENERAL MORTGAGE BOND, 14% SERIES DUE DECEMBER 1, 1992

KENTUCKY-AMERICAN WATER COMPANY (formerly Lexington Water Company), a corporation organized and existing under the laws of the Commonwealth of Kentucky, (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns, on the first day of December, 1992, at the principal office of the Trustee hereinafter named in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of

Dollars in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this bond (or, if this bond be dated prior to June 1, 1983 from the date hereof) until the principal hereof is paid or duly provided for, at the rate of fourteen per cent. (14%) per annum, in like coin or currency, semi-annually on the first day of June and the first day of December in each year, commencing on the first day of June, 1983; provided that interest may be paid by agreement of the Company with the registered owner of the bond by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

This bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original

Indenture"), executed by the Company to The Fidelity Bank, as Trustee, dated as of May 1, 1968 as supplemented and amended by a First Supplemental Indenture dated as of December 1, 1970, as supplemented by the Supplement dated as of December 17, 1970 (hereinafter called the "First Supplemental Indenture"), a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter called the "Second Supplemental Indenture"), a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter called the "Third Supplemental Indenture"), and a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter called the "Fourth Supplemental Indenture", the Original Indenture as so supplemented and amended being hereinafter called the "Indenture"), to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This bond is one of the bonds described in the Fourth Supplemental Indenture and designated therein as "General Mortgage Bonds, 14% Series due December 1, 1992" (hereinafter referred to as the "Bonds of the 14% Series"), issued under and secured by the Indenture and limited in aggregate principal amount to Six Million Dollars (\$6,000,000).

The lien of the Indenture on the property of the Company is subject to the lien of the Prior Mortgage defined in the Indenture.

The bonds of the 14% Series are subject to redemption in whole or in part, at any time and from time to time, at the option of the Company or pursuant to certain requirements of the Indenture, upon notice mailed by registered mail to the registered owners thereof, at least twenty-five days before the redemption date, all on the conditions and in the manner provided in the Indenture; provided, however, that prior to December 1, 1992, no bonds of the 14% Series may be redeemed by the use, or in

anticipation of the receipt, of (i) proceeds from the sale of bonds having a shorter average life to maturity than the remaining average life to maturity of the bonds of the 14% Series, or (ii) proceeds from any borrowing at an interest cost or any sale of preferred stock with a dividend rate of less than fourteen per cent. (14%) per annum, if such borrowing or sale is by the Company or by an entity that directly or indirectly controls, or is controlled by or is under common control with, the Company, and is for the purpose of providing funds to the Company for such redemption, or (iii) any contributions of capital or advances from American Water Works Company, Inc., or the Company's affiliates.

The bonds of the 14% Series shall be redeemable (a) if redeemed by the use, or in anticipation of the receipt, of moneys derived from the sale to, or other acquisition by or on behalf of, one or more governments or municipal corporations or other governmental subdivisions, bodies, authorities or agencies of any of the assets or stock of the Company, or any of the assets of a subsidiary of the Company (including any such sale to or acquisition by an intermediary or intermediaries acquiring such assets or stock under an arrangement for the resale or other disposition thereof to one or more governments or municipal corporations or governmental subdivisions, bodies, authorities or agencies), at a redemption price of 100% of the principal amount thereof, or (b) if redeemed otherwise than as described in the preceding clause (a), on or after December 1, 1989, at the redemption price at the time applicable as set forth in the following schedule, in each case together with interest accrued on such bonds to the date fixed for their redemption:

<u>11 Redeemed During the</u> <u>12 Months Commencing</u>	<u>Redemption Price</u> <u>(Percentage of</u> <u>Principal Amount)</u>
December 1, 1989	103.11
December 1, 1990	101.56
December 1, 1991 and thereafter	100.00

If this bond or any portion hereof, is called for redemption and payment thereof is duly provided for as specified in the Indenture, interest shall cease to accrue hereon or on such portion, as the case may be, from and after the date fixed for redemption.

In the event that (a) all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or (b) all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption. In the event payment shall be duly provided for, in such amount, and as specified in the Indenture, interest thereon shall cease to accrue from and after the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium (if any) and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment.

Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be

specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal or or premium or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the bonds of the 14% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be

made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds per cent. (66 2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto or the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent. (66 2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this bond, or a reduction in the principal amount hereof or the premium (if any) or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium (if any) or interest on, this bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument

of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds of the 14% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any bond or bonds of the 14% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until The Fidelity Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By
Vice President

Attest:
Assistant Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 14% SERIES)

Trustee's Authentication Certificate

This bond is one of the bonds, of the series designated therein, described in the within-mentioned Fourth Supplemental Indenture.

THE FIDELITY BANK,
as Trustee

By
Authorized Officer

STATE OF INDIANA)
) SS:
COUNTY OF WAYNE)

Before me, Ellen Ramel Pearl, a Notary Public in and for the State and County aforesaid, personally appeared D. L. Edgemon and S. B. Givens with whom I am personally acquainted, who upon oath did say that they are and acknowledge themselves to be, respectively, the Vice President and ~~Assistant~~ Secretary of KENTUCKY-AMERICAN WATER COMPANY, a Kentucky corporation, and that they, as such Vice President and ~~Assistant~~ Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, the former by signing the name of said corporation thereto by himself, as Vice President, and the latter attesting the execution thereof and affixing thereto the corporate seal.

WITNESS my hand and notarial seal this 7th day of December, 1982.


Notary Public

My Commission expires: February 1, 1986

My County of residence is Wayne.

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF PHILADELPHIA)

Before me, John J. Sullivan, a Notary Public in and for the Commonwealth and County aforesaid, personally appeared Joseph F. McDonnell and Alan M. Gagliardi, with whom I am personally acquainted, who upon oath did say that they are and acknowledge themselves to be, respectively, a Vice President and Assistant Secretary of THE FIDELITY BANK, the within named trustee, a corporation, and that they, as such Vice President and Assistant Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, the former by signing the name of said corporation thereto by himself, as Vice President, and the latter by attesting the execution thereof and affixing thereto the corporate seal.

WITNESS my hand and notarial seal this 5th day of December, 1982.

John J. Sullivan
Notary Public

NOTARY PUBLIC
STATE OF PENNSYLVANIA
COMMISSION EXPIRES

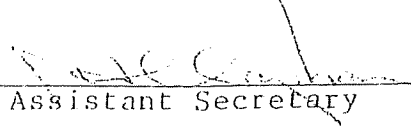
My Commission expires: Nov 6, 1985

(NOTARIAL SEAL)

* * * * *

The Fidelity Bank, mortgagee and trustee within named hereby certifies that its precise name and address are The Fidelity Bank, 135 South Broad Street, Philadelphia, Pennsylvania.

THE FIDELITY BANK

By 
Assistant Secretary

* * * * *

This instrument was prepared by S. B. Givens, Esq.,
1710 Sylvan Nook Drive, Richmond, Indiana.

[CONFORMED COPY]

KENTUCKY-AMERICAN WATER COMPANY
(Formerly Lexington Water Company)

TO

THE FIDELITY BANK,
as Trustee

FIFTH SUPPLEMENTAL INDENTURE

Dated as of June 1, 1983

SUPPLEMENTAL TO INDENTURE OF MORTGAGE

Dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 11.5% SERIES
Due April 15, 1992

This is a FIFTH SUPPLEMENTAL INDENTURE, dated as of the first day of June 1983, made by and between KENTUCKY-AMERICAN WATER COMPANY (formerly Lexington Water Company), a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and THE FIDELITY BANK, a corporation duly organized and existing under the laws of the Commonwealth of Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Fifth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter sometimes referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, as supplemented by the Supplement dated as of December 17, 1970 (hereinafter sometimes referred to as the "First Supplemental Indenture"), (c) a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter sometimes referred to as the "Second Supplemental Indenture"), (d) a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter sometimes referred to as the "Third Supplemental Indenture"), and (e) a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter sometimes referred to as the "Fourth Supplemental Indenture, the Original Indenture and any and all indentures supplemental thereto, being sometimes referred to hereinafter as the "Indenture"), to secure the payment of the principal of and premium (if any) and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7 3/8% Series due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds 10% Series due December 1, 1995, all of which bonds are presently outstanding, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9 7/8% Series due September 1, 1999, \$1,520,000 aggregate principal amount of which

bonds are presently outstanding, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series due November 1, 1997, \$2,700,000 aggregate principal amount of which bonds are presently outstanding, and (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series due December 1, 1992, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this fifth supplemental indenture (hereinafter sometimes referred to as the "Fifth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds (to be known as "bonds of the 11.5% Series" as hereinafter provided in this Fifth Supplemental Indenture and in the form of bond attached hereto as Exhibit A) and to prescribe with respect to the bonds of the 11.5% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture.

D. The Company proposes to procure the authentication and delivery of an issue of \$3,500,000 aggregate principal amount of bonds of the 11.5% Series.

E. All things necessary to make the bonds of the 11.5% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as in this Fifth Supplemental Indenture provided, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Fifth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the bonds of the 11.5% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS FIFTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the bonds of the 11.5% Series as may be issued under the Indenture, and of One Dollar to

it duly paid by the Trustee at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of and premium (if any) and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect, and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture, (except such thereof as may heretofore have been released from lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture, including, without limitation, the prior lien and all the provisions of the Prior Mortgage, as defined in Article XVI of the Original Indenture.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture; and provided, further, that the Company may in any indenture supplemental to the Original Indenture add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS FIFTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds, or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 11.5% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 11.5% Series due April 15, 1992" herein called the "bonds of the 11.5% Series". The following terms are hereby prescribed for the bonds of the 11.5% Series, in accordance with paragraph 2 of Section 2.03 of the Indenture:

- (a) Every bond of the 11.5% Series dated prior to December 1, 1983, the first interest payment date for such bonds, shall bear interest from the date of such bond.

(b) The aggregate principal amount of the bonds of the 11.5% Series is limited to \$3,500,000.

(c) The bonds of the 11.5% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively FR-1 and upwards, and shall all be registered bonds without coupons.

(d) All bonds of the 11.5% Series shall be due April 15, 1992.

(e) The principal of and the premium (if any) and the interest on the bonds of the 11.5% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts; provided that interest may be paid by agreement of the Company with the registered owner of the bond by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

(f) The bonds of the 11.5% Series shall be dated as of the date of their authentication, except that if any bond of the 11.5% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All bonds of the 11.5% Series shall bear interest until the principal thereof is paid or duly provided for at the rate of eleven and one-half per cent. (11.5%) per annum, payable semi-annually on the first day of June and December of each year, commencing on the first day of December, 1983. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The bonds of the 11.5% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The bonds of the 11.5% Series shall only be redeemable at the price and on the conditions stated in the form of bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture; except that if less than all of the bonds of the 11.5% Series are to be redeemed the particular bonds of the 11.5% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding bonds of the 11.5% Series prorating (in the proportion that the principal amount of bonds of the 11.5% Series held by each registered owner bears to the total principal amount of outstanding bonds of the 11.5% Series) the principal amount of bonds of the 11.5% Series to be redeemed among the registered owners of bonds of the 11.5% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of bonds of the 11.5% Series.

(j) The bonds of the 11.5% Series shall not be convertible.

(k) The bonds of the 11.5% Series shall be exchangeable only as provided in the Original Indenture.

(l) In the event that an interest payment date or a date fixed for redemption of any bond of the 11.5% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of interest or principal (and premium if any) need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment

is to be made are authorized by law to close, with the same force and effect as if made on the date of maturity, interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Fifth Supplemental Indenture, there are no provisions or agreements in respect of the bonds of the 11.5% Series which are for the sole benefit thereof.

(n) The text of the bonds of the 11.5% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 11.5% SERIES

The bonds of the 11.5% Series, as hereinabove defined in Recital C, may be executed by the Company and delivered to the Trustee for authentication, and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Fifth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 11.5% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenants, agreements and conditions contained in this Part III are solely for the protection and benefit of the registered owners of the bonds of the 11.5% Series and are therefore Exclusive Benefit Covenants as defined in the Indenture, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend, any of such Exclusive Benefit Covenants shall be vested solely in the registered owners of a majority in principal amount of

the bonds of the 11.5% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenants shall be deemed to be conferred upon persons other than the registered owners of the bonds of the 11.5% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the bonds of the 11.5% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the bonds of the 11.5% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term debt outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 3 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be issued by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the

Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total income (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period of which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company be

included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of Section 1.04 - 1.11, inclusive, of the Original Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fifth Supplemental Indenture or the due execution hereof by the Company or for or in respect of the recitals contained herein, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture shall apply to this Fifth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fifth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions contained herein shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Fifth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture.

This Fifth Supplemental Indenture may be simultaneously executed in any number of counterparts and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and THE FIDELITY BANK has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

KENTUCKY-AMERICAN WATER COMPANY

(SEAL)

By /s/ J. James Barr
President

Attest:

/s/ S. B. Givens
Secretary

Signed, sealed and delivered
by KENTUCKY-AMERICAN WATER
COMPANY in the presence of:

/s/ Shirley J. Charles

/s/ John J. Norris

THE FIDELITY BANK

By /s/ J. F. McDonald
Vice President

(SEAL)

Attest:

By /s/ J. H. Clapham
Assistant Secretary

Signed, sealed and delivered
by THE FIDELITY BANK
in the presence of:

/s/ Alice Murray

/s/ T. Wilkinson

EXHIBIT A

(FORM OF BOND OF 11.5% SERIES)

No. FR-

\$

KENTUCKY-AMERICAN WATER COMPANY

GENERAL MORTGAGE BOND, 11.5% SERIES DUE APRIL 15, 1992

KENTUCKY-AMERICAN WATER COMPANY (formerly Lexington Water Company), a corporation organized and existing under the laws of the Commonwealth of Kentucky, (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns,
on the fifteenth day of April, 1992, at the principal office of the Trustee hereinafter named in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of

Dollars in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this bond (or, if this bond be dated prior to December 1, 1983 from the date hereof) until the principal hereof is paid or duly provided for, at the rate of eleven and one-half per cent. (11.5%) per annum, in like coin or currency, semi-annually on the first day of June and the first day of December, in each year, commencing on the first day of December, 1983; provided that interest may be paid by agreement of the Company with the registered owner of the bond by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

This bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original

Indenture"), executed by the Company to The Fidelity Bank, as Trustee, dated as of May 1, 1968 as supplemented and amended by a First Supplemental Indenture dated as of December 1, 1970, as supplemented by the Supplement dated as of December 17, 1970 (hereinafter called the "First Supplemental Indenture"), a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter called the "Second Supplemental Indenture"), a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter called the "Third Supplemental Indenture"), a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter called the "Fourth Supplemental Indenture"), and a Fifth Supplemental Indenture dated as of June 1, 1983 (hereinafter called the "Fifth Supplemental Indenture, the Original Indenture as so supplemented and amended being hereinafter called the "Indenture"), to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This bond is one of the bonds described in the Fifth Supplemental Indenture and designated therein as "General Mortgage Bonds, 11.5% Series due April 15, 1992" (hereinafter referred to as the "bonds of the 11.5% Series"), issued under and secured by the Indenture and limited in aggregate principal amount to Three Million Five Hundred Thousand Dollars (\$3,500,000).

The lien of the Indenture on the property of the Company is subject to the lien of the Prior Mortgage defined in the Indenture.

The bonds of the 11.5% Series are subject to redemption in whole or in part, at any time and from time to time, at the option of the Company or pursuant to certain requirements of the Indenture, upon notice mailed by registered mail to the registered owners thereof, at least twenty-five days before the redemption date, all on the conditions and in the manner provided in the Indenture; provided, however, that prior to June 1, 1990, no bonds of the 11.5% Series may be redeemed at the option of the Company.

The bonds of the 11.5% Series shall be redeemable (a) if redeemed by the use, or in anticipation of the receipt, of moneys derived from the sale to, or other acquisition by or on behalf of, one or more governments or municipal corporations or other governmental subdivisions, bodies, authorities or agencies of any of the assets or stock of the Company or any of the assets of a subsidiary of the Company (including any such sale to or acquisition by an intermediary or intermediaries acquiring such assets or stock under an arrangement for the resale or other disposition thereof to one or more governments or municipal corporations or governmental subdivisions, bodies, authorities or agencies), at a redemption price of 100% of the principal amount thereof, or (b) if redeemed otherwise than as described in the preceding clause (a), on or after June 1, 1990, at the redemption price set forth in the following schedule, in such case together with interest accrued on such bonds to the date fixed for their redemption:

<u>If Redeemed During the 12 Months Commencing</u>	<u>Redemption Price (Percentage of Principal Amount)</u>
June 1, 1990 and thereafter	100.00

If this bond or any portion hereof, is called for redemption and payment thereof is duly provided for as specified in the Indenture, interest shall cease to accrue hereon or on such portion, as the case may be, from and after the date fixed for redemption.

In the event that (a) all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or (b) all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or

payment, if matured) of such bonds at a redemption price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for redemption. In the event payment shall be duly provided for, in such amount, and as specified in the Indenture, interest thereon shall cease to accrue from and after the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium (if any) and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment.

Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of or premium or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the bonds of the 11.5% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds per cent. (66 2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent. (66 2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or

benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this bond, or a reduction in the principal amount hereof or the premium (if any) or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium (if any) or interest on, this bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds of the 11.5% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any bond or bonds of the 11.5% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until The Fidelity Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By
Vice President

Attest:
Assistant Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 11.5% SERIES)

Trustee's Authentication Certificate

This bond is one of the bonds, of the series designated therein, described in the within-mentioned Fifth Supplemental Indenture.

THE FIDELITY BANK,
as Trustee

By
Authorized Officer

STATE OF INDIANA)
) SS:
COUNTY OF WAYNE)

Before me, Ellen Ramel Pearl, a Notary Public in and for the State and County aforesaid, personally appeared J. James Barr and S. B. Givens, with whom I am personally acquainted, who upon oath did say that they are and acknowledge themselves to be, respectively, the President and Secretary of KENTUCKY-AMERICAN WATER COMPANY, a Kentucky corporation, and they they, as such President and Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, the former by signing the name of said corporation thereto by himself, as President, and the latter attesting the execution thereof and affixing thereto the corporate seal.

WITNESS my hand and notarial seal this 1st day of June, 1983.

/s/ Ellen Ramel Pearl

Ellen Ramel Pearl
Notary Public

My Commission expires:
February 1, 1986.

My County of residence is Wayne.

(NOTARIAL SEAL)

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF PHILADELPHIA)

Before me, John J. Gildea , a Notary Public in and for the Commonwealth and County aforesaid, personally appeared Joseph F. McDonald and John H. Clapham , with whom I am personally acquainted, who upon oath did say that they are and acknowledge themselves to be, respectively, a Vice President and Assistant Secretary of THE FIDELITY BANK, the within named trustee, a corporation, and that they, as such Vice President and Assistant Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, the former by signing the name of said corporation thereto by himself, as Vice President, and the latter by attesting the execution thereof and affixing thereto the corporate seal.

WITNESS my hand and notarial seal this 9th day of June, 1983.

/s/ John J. Gildea
Notary Public JOHN J. GILDEA
Notary Public, Phila., Phila. Co.
My Commission expires: Aug. 23, 1986

(NOTARIAL SEAL)

* * * * *

The Fidelity Bank, mortgagee and trustee within named hereby certifies that its precise name and address are The Fidelity Bank, 135 South Broad Street, Philadelphia, Pennsylvania.

THE FIDELITY BANK

By /s/ J. H. Clapham
Assistant Secretary

* * * * *

This instrument was prepared by S. B. Givens, Esq.,
1710 Sylvan Nook Drive, Richmond, Indiana.

By /s/ S. B. Givens
S. B. Givens

KENTUCKY-AMERICAN WATER COMPANY

The foregoing Fourth Supplemental Indenture was recorded as follows:

On June 10, 1983 in the Office of the Clerk of the Woodford County Court in Mortgage Book 91 at Page 263; on June 10, 1983 in the Office of the Clerk of the Harrison County Court in Mortgage Book 84 at page 406; on June 10, 1983 in the Office of the Clerk of the Fayette County Court in Mortgage Book 1226 at Page 378; on June 10, 1983 in the Office of the Clerk of the Bourbon County Court in Mortgage Book 175 at Page 290; and on June 10, 1983 in the Office of the Clerk of the Scott County Court in Mortgage Book 155 at Page 476.

(COPY)

KENTUCKY-AMERICAN WATER COMPANY

TO

FIDELITY BANK, NATIONAL ASSOCIATION,
as Trustee

SIXTH SUPPLEMENTAL INDENTURE

dated as of August 1, 1985

SUPPLEMENTAL TO INDENTURE OF MORTGAGE

dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 10-7/8% SERIES
Due September 1, 1995

This is a SIXTH SUPPLEMENTAL INDENTURE, dated as of the first day of August, 1985, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIDELITY BANK, NATIONAL ASSOCIATION, (hereinafter called the "Trustee").

RECITALS

The background of this Sixth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter sometimes referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970 (hereinafter sometimes referred to as the "First Supplemental Indenture"), (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970 (hereinafter sometimes referred to as the "Supplement to the First Supplemental Indenture"), (d) a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter sometimes referred to as the "Second Supplemental Indenture"), (e) a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter sometimes referred to as the "Third Supplemental Indenture"), (f) a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter sometimes referred to as the "Fourth Supplemental Indenture") and (g) a Fifth Supplemental Indenture dated as of June 1, 1983 (hereinafter sometimes referred to as the "Fifth Supplemental Indenture", the Original Indenture and any and all indentures supplemental thereto, being sometimes referred to hereinafter as the "Indenture"), to secure the payment of the principal of and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series due July 1, 1993, all of which bonds are presently outstanding; (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series due December 1, 1995, all of which bonds are presently outstanding, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series due September 1, 1999, \$1,400,000 aggregate principal amount of which bonds are presently outstanding, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series due November 1, 1997, \$2,580,000 aggregate principal amount of which bonds are presently outstanding, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series due December 1, 1992, all of which bonds are presently outstanding, and (f) \$3,500,000 aggregate principal amount of General Mortgage Bonds, 11.5% Series due April 15, 1992, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this sixth supplemental indenture (hereinafter sometimes referred to as the "Sixth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds (to be known as "bonds of the 10-7/8% Series" as hereinafter provided in this Sixth Supplemental Indenture and in the form of bond attached hereto as Exhibit A) and to prescribe with respect to the bonds of the 10-7/8% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture.

D. The Company proposes to procure the authentication and delivery of an issue of \$3,000,000 aggregate principal amount of bonds of the 10-7/8% Series.

E. All things necessary to make the bonds of the 10-7/8% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Sixth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Sixth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the bonds of the 10-7/8% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS SIXTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the bonds of the 10-7/8% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights, and franchises or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the

estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture, including, without limitation, the prior lien and all the provisions of the Prior Mortgage, as defined in Article XVI of the Original Indenture.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture; and provided, further, that the Company may in any indenture supplemental to

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the Original Indenture add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS SIXTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 10-7/8% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 10-7/8% Series due September 1, 1995" herein called the "bonds of the 10-7/8% Series". The following terms are hereby prescribed for the bonds of the 10-7/8% Series, in accordance with paragraph 2 of Section 2.03 of the Indenture:

(a) Every bond of the 10-7/8% Series dated prior to March 1, 1985, the first interest payment date for such bonds, shall bear interest from the date of such bond.

(b) The aggregate principal amount of the bonds of the 10-7/8% Series is limited to \$3,000,000.

(c) The bonds of the 10-7/8% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively GR-1 and upwards, and shall all be registered bonds without coupons.

(d) All bonds of the 10-7/8% Series shall be due September 1, 1995.

(e) The principal of and the interest on the bonds of the 10-7/8% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that interest may be paid by agreement of the Company with the registered owner of the bond, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

(f) The bonds of the 10-7/8% Series shall be dated as of the date of their authentication, except that if any bond of the 10-7/8% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All bonds of the 10-7/8% Series shall bear interest until the principal thereof is paid or duly provided for, at the rate of ten and seven-eighths per cent (10-7/8%) per annum, payable semi-annually on the first day of March and September of each year, commencing on the first day of March, 1986. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The bonds of the 10-7/8% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of taxes.

(h) The bonds of the 10-7/8% Series shall be redeemable at the price and on the conditions stated in the form of bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture; except that if less than all of the bonds of the 10-7/8% Series are to be redeemed the particular bonds of the 10-7/8% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding bonds of the

10-7/8% Series by prorating (in the proportion that the principal amount of bonds of the 10-7/8% Series held by each registered owner bears to the total principal amount of outstanding bonds of the 10-7/8% Series) the principal amount of bonds of the 10-7/8% Series to be redeemed among the registered owners of bonds of the 10-7/8% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of bonds of the 10-7/8% Series.

(j) The bonds of the 10-7/8% Series shall not be convertible.

(k) The bonds of the 10-7/8% Series shall be exchangeable only as provided in the Original Indenture.

(l) In the event that an interest payment date or a date fixed for redemption of any bond of the 10-7/8% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment is to be made are authorized by law to close, with the same force and effect as if made on the date of maturity, interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Sixth Supplemental Indenture, there are no provisions or agreements in respect of the bonds of the 10-7/8% Series which are for the sole benefit thereof.

(n) The text of the bonds of the 10-7/8% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 10-7/8% SERIES

The bonds of the 10-7/8% Series, as hereinabove defined in Recital C, may be executed by the Company and delivered to the Trustee for authentication, and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Sixth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 10-7/8% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the bonds of the 10-7/8% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the bonds of the 10-7/8% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the bonds of the 10-7/8% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the bonds of the 10-7/8% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the bonds of the 10-7/8% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be issued by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total income (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of Sections 1.04 - 1.11, inclusive, of the Original Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Sixth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture shall apply to this Sixth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Sixth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

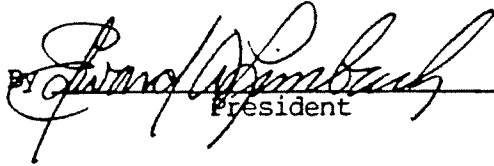
MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Sixth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture.

This Sixth Supplemental Indenture may be simultaneously executed in any number of counterparts and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

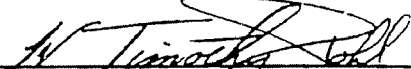
IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIDELITY BANK, NATIONAL ASSOCIATION, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

KENTUCKY-AMERICAN WATER COMPANY

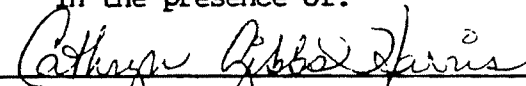

By 
President

(SEAL)


Attest:


Secretary

Signed, sealed and delivered by
KENTUCKY-AMERICAN WATER COMPANY
in the presence of:

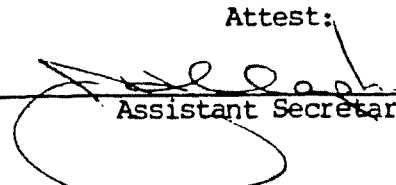



FIDELITY BANK, NATIONAL ASSOCIATION

By 
Vice President

(SEAL)

Attest:

By 
Assistant Secretary

Signed, sealed and delivered by
FIDELITY BANK, NATIONAL ASSOCIATION
in the presence of:

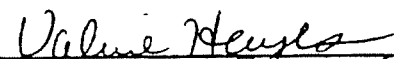
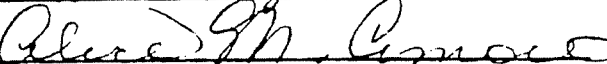



EXHIBIT A

(FORM OF BOND OF 10-7/8% SERIES)

No. GR-

\$

KENTUCKY-AMERICAN WATER COMPANY

GENERAL MORTGAGE BOND, 10-7/8% SERIES DUE SEPTEMBER 1, 1995

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, on the first day of September, 1995, at the principal office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of _____ Dollars in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this bond (or, if this bond be dated prior to March 1, 1986 from the date hereof) until the principal hereof is paid or duly provided for, at the rate of ten and seven-eighths per cent (10-7/8%) per annum, in like coin or currency, semi-annually on the first day of March and the first day of September in each year, commencing on the first day of March, 1986; provided that interest may be paid by agreement of the Company with the registered owner of this bond, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

This bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be

issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to Fidelity Bank, National Association, as Trustee, dated as of May 1, 1968 as supplemented and amended by a First Supplemental Indenture dated as of December 1, 1970 (hereinafter called the "First Supplemental Indenture"), a Supplement to the First Supplemental Indenture dated as of December 17, 1970 (hereinafter called the "Supplement to the First Supplemental Indenture"), a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter called the "Second Supplemental Indenture"), a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter called the "Third Supplemental Indenture"), a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter called the "Fourth Supplemental Indenture"), a Fifth Supplemental Indenture dated as of June 1, 1983 (hereinafter called the "Fifth Supplemental Indenture"), and a Sixth Supplemental Indenture dated as of August 1, 1985 (hereinafter called the "Sixth Supplemental Indenture", the Original Indenture as so supplemented and amended being hereinafter called the "Indenture"), to which the Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This bond is one of the bonds described in the Sixth Supplemental Indenture and designated therein as "General Mortgage Bonds, 10-7/8% Series due September 1, 1995" (hereinafter referred to as the "bonds of the 10-7/8% Series"), issued under and secured by the Indenture and limited in aggregate principal amount to Three Million Dollars (\$3,000,000).

The lien of the Indenture on the property of the Company is subject (a) to the lien of the Prior Mortgage defined in the Indenture, and (b) Permitted Encumbrances.

The bonds of the 10-7/8% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Indenture or otherwise under the Indenture at the option of the Company.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the

obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the bonds of the 10-7/8% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds per cent (66-2/3%) in principal amount of the bonds

then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent (66-2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this bond, or a reduction in the principal amount hereof or the rate of interest hereon, or otherwise affect the terms of payment or the principal of or interest on this bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered bond or bonds of the 10-7/8%

Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any bond or bonds of the 10-7/8% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until Fidelity Bank, National Association, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By _____
President

Attest:

Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 10-7/8% SERIES)

Trustee's Authentication Certificate

This bond is one of the bonds, of the series designated therein, described in the within-mentioned Sixth Supplemental Indenture.


FIDELITY BANK, NATIONAL ASSOCIATION
as Trustee

By _____
Authorized Officer

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF PHILADELPHIA)

Before me, John J. Gildea, a Notary Public in and for the Commonwealth and County aforesaid, personally appeared Richard Hojnowski and John H. Clapham, who upon oath did say that they are and acknowledge themselves to be, respectively, the Vice President and Assistant Secretary of FIDELITY BANK, NATIONAL ASSOCIATION, the within named trustee, a corporation, and that they, as such Vice President and Assistant Secretary, being authorized so to do, executed the foregoing instrument for the purposes therein contained, the former by signing the name of said corporation thereto by himself, as Vice President, and the latter by attesting the execution thereof and affixing thereto the corporate seal.

WITNESS my hand and notarial seal this 4th day of September, 1985.



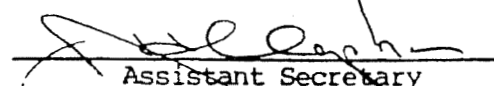
Notary Public
JOHN J. GILDEA
Notary Public, Phila., Phila. Co.
My Commission expires Aug. 23, 1988

(NOTARIAL SEAL)

* * * * *

Fidelity Bank, National Association, mortgagee and trustee within named, hereby certifies that its precise name and address are Fidelity Bank, National Association, 135 South Broad Street, Philadelphia, Pennsylvania.

FIDELITY BANK, NATIONAL ASSOCIATION

By 

Assistant Secretary

This instrument was prepared by W. Timothy Pohl, Esq., 1325 Virginia Street, East, Charleston, West Virginia.

(COPY)

KENTUCKY-AMERICAN WATER COMPANY

TO

FIDELITY BANK, NATIONAL ASSOCIATION,
as Trustee

SEVENTH SUPPLEMENTAL INDENTURE

dated as of January 1, 1987

SUPPLEMENTAL TO INDENTURE OF MORTGAGE

dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 8.55% SERIES
Due February 1, 1997

This is a SEVENTH SUPPLEMENTAL INDENTURE, dated as of the first day of January, 1987, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIDELITY BANK, NATIONAL ASSOCIATION, (hereinafter called the "Trustee").

RECITALS

The background of this Seventh Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970 (hereinafter referred to as the "First Supplemental Indenture"), (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970 (hereinafter referred to as the "Supplement to the First Supplemental Indenture"), (d) a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter referred to as the "Second Supplemental Indenture"), (e) a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter referred to as the "Third Supplemental Indenture"), (f) a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter referred to as the "Fourth Supplemental Indenture") (g) a Fifth Supplemental Indenture dated as of June 1, 1983 (hereinafter referred to as the "Fifth Supplemental Indenture"), and (h) a Sixth Supplemental Indenture dated as of August 1, 1985 (hereinafter referred to as the "Sixth Supplemental Indenture"), the Original Indenture and any and all indentures supplemental thereto, being referred to hereinafter as the "Indenture", to secure the payment of the principal of and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds are presently outstanding, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$1,280,000 aggregate principal amount of which bonds are presently outstanding, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,460,000 aggregate principal amount of which bonds are presently outstanding, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds are presently outstanding, (f) \$3,500,000 aggregate principal amount of General Mortgage Bonds, 11.5% Series, due April 15, 1992, and (g) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this seventh supplemental indenture (hereinafter referred to as the "Seventh Supplemental Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 8.55% Series, due February 1, 1997 (hereinafter referred to as the "Bonds of the 8.55% Series" as hereinafter provided in this Seventh Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 8.55% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$6,000,000 aggregate principal amount of Bonds of the 8.55% Series.

E. All things necessary to make the Bonds of the 8.55% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Seventh Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Seventh Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 8.55% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS SEVENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 8.55% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof), has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm, unto Fidelity Bank, National Association, as Trustee, and to its successors in the trust, and to them and their assigns forever, all those pieces or parcels of land more particularly identified in Exhibit B hereto, which Exhibit is hereby incorporated in and made a part of this granting clause as if set forth herein in full.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture, as amended, including, without limitation, the prior lien and all the provisions of the Prior Mortgage, as defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and

by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS SEVENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 8.55% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage

Bonds, 8.55% Series, due February 1, 1997", herein called the "Bonds of the 8.55% Series". The following terms are hereby prescribed for the Bonds of the 8.55% Series, in accordance with paragraph 2 of Section 2.03 of the Indenture:

(a) Every Bond of the 8.55% Series dated prior to August 1, 1987, the first interest payment date for such bonds, shall bear interest from the date of such bond.

(b) The aggregate principal amount of the Bonds of the 8.55% Series is limited to \$6,000,000.

(c) The Bonds of the 8.55% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively HR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 8.55% Series shall be due February 1, 1997.

(e) The principal of and the interest on the Bonds of the 8.55% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that interest may be paid by agreement of the Company with the registered owner of the Bond, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

(f) The Bonds of the 8.55% Series shall be dated as of the date of their authentication, except that if any Bond of the 8.55% Series shall be authenticated on any interest payment date it shall be dated as of the day

next following such interest payment date. All Bonds of the 8.55% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to August 1, 1987, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of eight and fifty-five hundredths per cent (8.55%) per annum, payable semi-annually on the first day of February and August of each year, commencing on the first day of August, 1987. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 8.55% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of taxes.

(h) The Bonds of the 8.55% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended; except that if less than all of the Bonds of the 8.55% Series are to be redeemed the particular Bonds of the 8.55% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 8.55% Series by prorating (in the proportion that the principal amount of Bonds of the 8.55% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 8.55% Series) the principal amount of Bonds of the 8.55% Series to be redeemed among the registered owners of Bonds of the 8.55% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 8.55% Series.

(j) The Bonds of the 8.55% Series shall not be convertible.

(k) The Bonds of the 8.55% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 8.55% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment is to be made are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Seventh Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 8.55% Series which are for the sole benefit thereof.

(n) The text of the Bonds of the 8.55% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 8.55% SERIES

The Bonds of the 8.55% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by

the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Seventh Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 8.55% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 8.55% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 8.55% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 8.55% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 8.55% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 8.55% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least

one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be issued by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted

all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Seventh Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Seventh Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Seventh Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

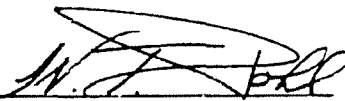
For all purposes hereof, all terms contained in this Seventh Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture.

This Seventh Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.


IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIDELITY BANK, NATIONAL ASSOCIATION, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

(SEAL)

ATTEST:


Secretary

KENTUCKY-AMERICAN WATER COMPANY

By 
President

(SEAL)

ATTEST:


S. Corporate Trust Officer

FIDELITY BANK, NATIONAL ASSOCIATION

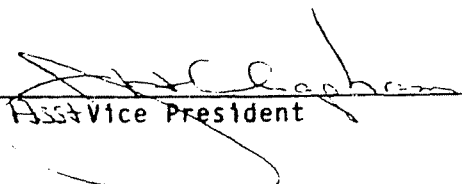
By 
ASS Vice President

EXHIBIT A

(FORM OF BOND OF 8.55% SERIES)

No. HR-

\$

KENTUCKY-AMERICAN WATER COMPANY

GENERAL MORTGAGE BOND, 8.55% SERIES, DUE FEBRUARY 1, 1997

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to _____ or registered assigns, on the first day of February, 1997, at the principal office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of _____ Dollars in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to August 1, 1987 from the date hereof) until the principal hereof is paid or duly provided for, at the rate of eight and fifty-five hundredths per cent (8.55%) per annum, in like coin or currency, semi-annually on the first day of February and the first day of August in each year, commencing on the first day of August, 1987; provided that interest may be paid by agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except

as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to Fidelity Bank, National Association, as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by seven supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture," to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Seventh Supplemental Indenture dated as of January 1, 1987 between the Company and the Trustee ("Seventh Supplemental Indenture") and designated therein as "General Mortgage Bonds, 8.55% Series, due February 1, 1997" (hereinafter referred to as the "Bonds of the 8.55% Series").

The lien of the Indenture on the property of the Company is subject to (a) the lien of the Prior Mortgage as defined in the Indenture and (b) to the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 8.55% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Indenture or otherwise under the Indenture at the option of the Company.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the

provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 8.55% Series shall be 100% of the principal amount thereof plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 8.55% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds per cent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds per cent (66-2/3%) in

principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof or the rate of interest hereon, or otherwise affect the terms of payment or the principal of or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 8.55% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 8.55% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until Fidelity Bank, National Association, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By _____
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 8.55% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Seventh Supplemental Indenture.

FIDELITY BANK, NATIONAL ASSOCIATION
as Trustee

By _____
Authorized Officer

EXHIBIT B

KENTUCKY-AMERICAN WATER COMPANY

DESCRIPTION OF LANDS

All of the piece or parcel of land situate in Scott County, Kentucky, conveyed to the Company by the deed referred to below, which has been recorded as indicated in the Office of the County Court Clerk of Scott County:

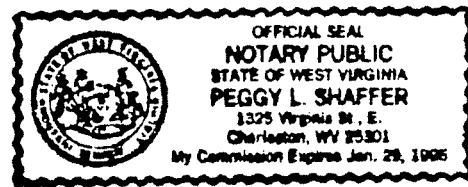
<u>Grantor</u>	<u>Date of Deed</u>	<u>Recording Data</u>	
		<u>Book Number</u>	<u>Page Number</u>
Dorcas Hollingsworth Wiedemann	July 30, 1986	166	653

STATE OF WEST VIRGINIA)
COUNTY OF KANAWHA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 6th day of February, 1987, by Edward W. Limbach, President of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

My commission expires: January 29, 1996

Peggy L. Shaffer
Notary Public



COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 9th day of February, 1987, by John H. Clapham, Asst. Vice President of Fidelity Bank, National Association, on behalf of the corporation.

HELEN C. MCKO
Notary Public, Philadelphia Co.
My Commission Expires July 30, 1990

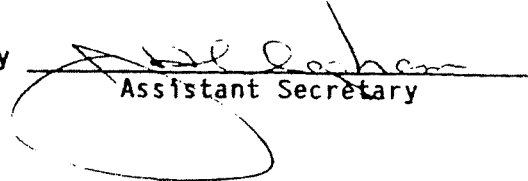
My commission expires: _____

John Clapham
Notary Public

Fidelity Bank, National Association, mortgagee and trustee within named, hereby certifies that its precise name and address are Fidelity Bank, National Association, 135 South Broad Street, Philadelphia, Pennsylvania.

FIDELITY BANK, NATIONAL ASSOCIATION

By


Assistant Secretary

This Seventh Supplemental
Indenture was prepared by

W. Timothy Pohl,
1325 Virginia Street, East,
P. O. Box 593,
Charleston, WV 25322

By


W. Timothy Pohl

(CONFORMED COPY)

KENTUCKY-AMERICAN WATER COMPANY

TO

FIDELITY BANK, NATIONAL ASSOCIATION,
as Trustee

E I G H T H S U P P L E M E N T A L I N D E N T U R E

dated as of September 1, 1988

SUPPLEMENTAL TO INDENTURE OF MORTGAGE

dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 9.71% SERIES

Due September 1, 1998

This is an EIGHTH SUPPLEMENTAL INDENTURE, dated as of the 1st day of September, 1988, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIDELITY BANK, NATIONAL ASSOCIATION (formerly The Fidelity Bank), a national banking association with its principal place of business in Philadelphia, Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Eighth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970 (hereinafter referred to as the "First Supplemental Indenture"), (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970 (hereinafter referred to as the "Supplement to the First Supplemental Indenture"), (d) a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter referred to as the "Second Supplemental Indenture"), (e) a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter referred to as the "Third Supplemental Indenture"), (f) a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter referred to as the "Fourth Supplemental Indenture"), (g) a Fifth Supplemental Indenture dated as of June 1, 1983 (hereinafter referred to as the "Fifth Supplemental Indenture"), (h) a Sixth Supplemental Indenture dated as of August 1, 1985 (hereinafter referred to as the "Sixth Supplemental Indenture"), and (i) a Seventh Supplemental Indenture dated as of January 1, 1987 (hereinafter referred to as the "Seventh Supplemental Indenture"), the Original Indenture and any and all indentures supplemental thereto, being referred to hereinafter as the "Indenture", to secure the payment of the principal of and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds are presently outstanding, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$1,220,000 aggregate principal amount of which bonds were outstanding as of June 30, 1988, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,400,000 aggregate principal amount of which bonds were outstanding as of June 30, 1988, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds are presently outstanding, (f) \$3,500,000 aggregate principal amount of General Mortgage Bonds, 11.5% Series, due April 15, 1992, all of which bonds are presently outstanding, (g) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds are presently outstanding, and (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Original Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this eighth supplemental indenture (hereinafter referred to as the "Eighth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 9.71% Series, due September 1, 1998 (hereinafter referred to as the "Bonds of the 9.71% Series" as hereinafter provided in this Eighth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 9.71% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$6,000,000 aggregate principal amount of Bonds of the 9.71% Series.

E. All things necessary to make the Bonds of the 9.71% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Eighth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Eighth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 9.71% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS EIGHTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 9.71% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensembling and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof), has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm, unto Fidelity Bank, National Association, as Trustee, and to its successors in the trust, and to them and

their assigns forever, all those pieces or parcels of land more particularly identified in Exhibit B hereto, which Exhibit is hereby incorporated in and made a part of this granting clause as if set forth herein in full.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture, as amended, including, without limitation, the prior lien and all the provisions of the Prior Mortgage, as defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or

negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS EIGHTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 9.71% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distin-

guished from the bonds of all other series by the title, "General Mortgage Bonds, 9.71% Series, due September 1, 1998", herein called the "Bonds of the 9.71% Series". The following terms are hereby prescribed for the Bonds of the 9.71% Series, in accordance with paragraph 2 of Section 2.03 of the Indenture:

(a) Every Bond of the 9.71% Series dated prior to March 1, 1989, the first interest payment date for such bonds, shall bear interest from the date of such bond.

(b) The aggregate principal amount of the Bonds of the 9.71% Series is limited to \$6,000,000.

(c) The Bonds of the 9.71% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively IR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 9.71% Series shall be due September 1, 1998.

(e) The principal of and the interest on the Bonds of the 9.71% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that interest may be paid by agreement of the Company with the registered owner of the Bond, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

(f) The Bonds of the 9.71% Series shall be dated as of the date of their authentication, except that if any Bond of the 9.71% Series shall be authenticated on any interest payment date it shall be dated as of the day

next following such interest payment date. All Bonds of the 9.71% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to March 1, 1989, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of nine and seventy-one hundredths percent (9.71%) per annum, payable semi-annually on the first day of March and September of each year, commencing on the first day of March, 1989. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 9.71% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of taxes.

(h) The Bonds of the 9.71% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended; except that if less than all of the Bonds of the 9.71% Series are to be redeemed the particular Bonds of the 9.71% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 9.71% Series by prorating (in the proportion that the principal amount of Bonds of the 9.71% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 9.71% Series) the principal amount of Bonds of the 9.71% Series to be redeemed among the registered owners of Bonds of the 9.71% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 9.71% Series.

(j) The Bonds of the 9.71% Series shall not be convertible.

(k) The Bonds of the 9.71% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 9.71% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment is to be made are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Eighth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 9.71% Series which are for the sole benefit thereof.

(n) The text of the Bonds of the 9.71% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 9.71% SERIES

The Bonds of the 9.71% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by

the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Eighth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 9.71% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 9.71% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 9.71% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 9.71% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 9.71% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 9.71% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long

Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be issued by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as

is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Eighth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Eighth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Eighth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Eighth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture.

This Eighth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIDELITY BANK, NATIONAL ASSOCIATION, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

(SEAL)

ATTEST:

/s/ Stephen N. Chambers
Secretary

KENTUCKY-AMERICAN WATER COMPANY

By /s/ Edward W. Limbach
President

(SEAL)

ATTEST:

/s/ T. McPoyle
Assistant Secretary

FIDELITY BANK, NATIONAL ASSOCIATION

By /s/ J. H. Clapham
Assistant Vice President

(FORM OF BOND OF 9.71% SERIES)

THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT.

No. IR-

KENTUCKY-AMERICAN WATER COMPANY

§

GENERAL MORTGAGE BOND, 9.71% SERIES, DUE SEPTEMBER 1, 1998

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to or registered assigns, on the first day of September, 1998, at the principal office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of _____ Dollars (\$) in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to March 1, 1989 from the date hereof) until the principal hereof is paid or duly provided for, at the rate of nine and seventy-one hundredths percent (9.71%) per annum, in like coin or currency, semi-annually on the first day of March and the first day of September in each year, commencing on the first day of March, 1989; provided that interest may be paid by agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued

in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank (a predecessor to Fidelity Bank, National Association), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by seven supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture," to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Eighth Supplemental Indenture dated as of September 1, 1988 between the Company and the Trustee ("Eighth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 9.71% Series, due September 1, 1998" (hereinafter referred to as the "Bonds of the 9.71% Series").

The lien of the Indenture on the property of the Company is subject to (a) the lien of the Prior Mortgage as defined in the Indenture and (b) the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 9.71% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Indenture and the Bonds of the 9.71% Series are not otherwise subject to redemption under the Indenture at the option of the Company.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration

received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 9.71% Series shall be 100% of the principal amount thereof plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 9.71% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in

principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof or the rate of interest hereon, or otherwise affect the terms of payment or the principal of or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 9.71% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 9.71% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until Fidelity Bank, National Association, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By _____
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 9.71% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Eighth Supplemental Indenture.

FIDELITY BANK, NATIONAL ASSOCIATION
as Trustee

By _____
Authorized Officer

EXHIBIT B

KENTUCKY-AMERICAN WATER COMPANY

DESCRIPTION OF LANDS

All of that piece or parcel of land situate in Scott County, Kentucky, conveyed to the Company by the deed referred to below, which has been recorded as indicated in the Office of the County Court Clerk of Scott County:

<u>Grantor</u>	<u>Date of Deed</u>	<u>Recording Data</u>	
		<u>Book Number</u>	<u>Page Number</u>
Dorcas Hollingsworth Wiedemann, Single	3/24/88	174	278

STATE OF WEST VIRGINIA)
COUNTY OF KANAWHA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 27th day of September, 1988, by Edward W. Limbach, President of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

My commission expires: January 29, 1996.

/s/ Peggy L. Shaffer
Notary Public

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 29th day of September, 1988, by John H. Clapham, Assistant Vice President of Fidelity Bank, National Association, on behalf of the corporation.

My commission expires: September 30, 1991.

/s/ Alice M. Amoro
Notary Public

Fidelity Bank, National Association, mortgagee and trustee within named, hereby certifies that its precise name and address are Fidelity Bank, National Association, 135 South Broad Street, Philadelphia, Pennsylvania.

FIDELITY BANK, NATIONAL ASSOCIATION

By /s/ T. McPoyle
Assistant Secretary

This Eighth Supplemental
Indenture was prepared by

Stephen N. Chambers
1325 Virginia Street, East
P. O. Box 593,
Charleston, WV 25322

By /s/ Stephen N. Chambers
Stephen N. Chambers

KENTUCKY-AMERICAN WATER COMPANY
P. O. Box 593
Charleston, West Virginia 25322

BOND PURCHASE AGREEMENT

Re: \$6,000,000 General Mortgage Bonds,
9.71% Series, Due September 1, 1998

Dated as of September 1, 1988

American United Life Insurance Company
One American Square, Third Floor
Indianapolis, Indiana 46204

Attention: Securities Department

KENTUCKY-AMERICAN WATER COMPANY, a Kentucky corporation (the "Company"), agrees with you as follows:

1. Description and Sale of Bonds. The Company agrees to sell to you, and you agree to purchase from the Company, subject to the terms and conditions hereinafter set forth, \$6,000,000 principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998 (the "Bonds"), of the Company, at a price equal to 100% of the principal amount thereof. The Bonds shall be dated the date of their delivery to you, shall bear interest from such date at the rate of 9.71% per annum, shall mature September 1, 1998, and shall be issued under the Indenture of Mortgage dated as of May 1, 1968 between Lexington Water Company (predecessor to the Company) and The Fidelity Bank (a predecessor to Fidelity Bank, National Association), as trustee, as heretofore supplemented and as to be supplemented by an Eighth Supplemental Indenture between the Company and Fidelity Bank, National Association (the "Trustee") to be dated as of September 1, 1988, which shall be substantially in the form attached hereto and marked Exhibit "A" with such changes therein as may be agreed upon by you and the Company (said Indenture of Mortgage, as so supplemented, being hereinafter referred to as the "Indenture").

2. Closing. Delivery of and payment for the Bonds (the "Closing") shall be made at the offices of the law firm of Stoll, Keenon & Park at 1000 First Security Plaza, Lexington, Kentucky 40507 at 10 a.m. local time on October 7, 1988, or at such other date and time or such other place as shall be mutually agreed to. Payment shall be made to the order of the Company in immediately available funds to Account No. 024-021-1 at First Security National Bank & Trust Company, One First Security Plaza, Lexington, Kentucky 40507. Delivery shall be made to you in the form of one (1) fully registered Bond, in the principal amount of the Bonds to be purchased by you, registered in your name or in the name of such nominee as you may designate in writing at least five (5) days prior to the Closing.

3. Representations.

3.1. Representations of the Company. The Company represents that the matters set forth in paragraphs 1 through 15 of the form of certificate annexed hereto as Exhibit "B" are true and correct as of the date hereof and are hereby incorporated herein by reference with the same force and effect as though herein set forth in full.

3.2. Company's Use of Proceeds. The Company represents that the net proceeds from the sale of the Bonds will be used to construct additional utility plant and to repay or reduce outstanding short-term debt issued for purposes of (i) funding construction programs and (ii) satisfying sinking fund provisions of existing debt securities. The Company will not use any part of the proceeds from the sale of the Bonds, directly or indirectly, for the purpose of purchasing or carrying any margin stock within the meaning of Regulation G (12 CFR Part 207) promulgated by the Board of Governors of the Federal Reserve System, as now amended, nor for the purpose of purchasing or carrying any other securities.

3.3. Representations of the Purchaser. You represent (i) that your purchase of the Bonds under this Agreement is for your own account, for

investment and not with a view toward distribution or resale thereof, provided, however, that you reserve the right to dispose of all or any part of the Bonds by sale or other distribution not in violation of the Securities Act of 1933, as amended, (the "Act") or the rules and regulations thereunder, if at some future time in your sole discretion you deem it advisable to do so; and (ii) that you are not a registered investment company or a company controlled by a registered investment company as defined in the Investment Company Act of 1940. You understand that the Bonds are not being registered under the Act and agree that you will not resell or otherwise dispose of the Bonds or any interest therein except upon effective registration under the Act or unless in the opinion of Counsel (who may be employed by the Purchaser) an exemption therefrom is available under the Act. You hereby agree that the following legend will appear on the Bonds: THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT. The Company's obligation to sell the Bonds to you hereunder is subject to the condition that at the Closing you confirm, by accepting delivery of the Bonds, the aforesaid representations and agreements as if made at that time.

4. Closing Conditions. Your obligation to purchase and the Company's obligation to sell the Bonds pursuant to this Agreement are conditioned upon:

4.1. Additional Stock. The issue and sale, at or prior to the closing, of additional shares of Common Stock of the Company (the "Additional Stock") for an aggregate price of not less than \$4,000,000 before deduction of the costs of such sale.

4.2. Governmental Authorization. The authorization prior to the Closing of the issue and sale of the Additional Stock and Bonds by the Public Service Commission of the Commonwealth of Kentucky, whose authorization is required, which authorization shall not contain any conditions deemed by the Company to be burdensome to it.

4.3. Closing Certificate. The Company shall deliver to you at the Closing a certificate duly authorized, executed and delivered by the Company substantially in the form of the certificate attached hereto as Exhibit "B", the truth and accuracy of which, at the time of Closing, shall be a condition precedent to your obligations hereunder.

4.4. Opinions. You shall receive at the Closing from Messrs. Chapman and Cutler, your special counsel in connection with this transaction, and from Messrs. Stoll, Keenon & Park, counsel for the Company, their opinions satisfactory to you and covering the matters set forth in Exhibit "C" hereto.

4.5. Proceedings and Documents. All proceedings to be taken in connection with the transactions contemplated by this Agreement, and all documents incident thereto, shall be satisfactory in form and substance to you and your special counsel; and you and your special counsel shall have received counterparts, originals or certified or other copies of all documents which you may reasonably request in connection with said transactions and all corporate proceedings in connection therewith, in form and substance satisfactory to you and your special counsel, such documents where appropriate to be certified by the proper corporate or governmental authorities.

5. Expenses. The Company agrees to bear all reasonable expenses in connection with the transactions herein contemplated whether or not such transactions are effected, including the reasonable fees and out-of-pocket disbursements of Messrs. Chapman and Cutler, your special counsel in connection with the transactions contemplated by this Agreement.

6. Inability to Complete Transaction. In the event that the transactions herein contemplated are not carried out by reason of the inability of either party to perform any of the conditions herein specified, neither party hereto shall be responsible to the other for any damages or otherwise by reason thereof, except as is provided in paragraph 5 hereof.

7. Financial Statements. The Company agrees that, so long as you shall hold any of the Bonds purchased hereunder, it will deliver to you:

7.1. As soon as practicable, and in any event within sixty (60) days, after the end of each quarterly period, except the last, of each fiscal year of the Company, (i) a copy of its balance sheet as at the end of such quarterly period; and (ii) a copy of its income statement for the twelve (12) months' period and for the portion of the fiscal year to the end of such quarterly period, together with the figures for the corresponding periods one (1) year prior thereto, in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied and certified by the Comptroller or an Assistant Comptroller of the Company.

7.2. As soon as practicable, and in any event within one hundred twenty (120) days, after the end of each fiscal year of the Company, a copy of its balance sheet as at the end of such year and its income and surplus statement for such year together with the figures for the corresponding period for the fiscal year prior thereto, in reasonable detail, prepared in accordance with generally accepted accounting principles consistently applied and certified by independent accountants of recognized national standing selected by the Company.

7.3. Within the period provided in Section 7.2 above, the written statement of such accountants that in making the examination necessary to their certification of such audit report they have obtained no knowledge of any event of default (as defined in the Indenture), or event which with the lapse of time or giving of notice, or both, would become such an event of default, or if such accountants shall have obtained knowledge of any such event of default or event which would so become an event of default, they shall disclose in such statement the default or defaults and the nature thereof.

7.4. Such other information pertinent to an evaluation of your investment as you may reasonably request from time to time.

8. Inspection of Properties and Books. The Company agrees that, after the execution and delivery of this Agreement and so long as you shall hold any of the Bonds sold to you hereunder, you shall have the right at your expense to visit and inspect its properties under its guidance, to examine the books of account of the Company, to make extracts therefrom, and to discuss its affairs, finances and accounts with and be advised as to the same by its officers, all at reasonable times and at reasonable intervals. This privilege may be exercised only by any of your financial officers or by anyone duly designated for the purpose in writing by any such officer.

9. Exchange and Transfer of Bonds. The Company agrees that, within a reasonable time (not exceeding ninety (90) days after you shall have made written request therefor to the Company), it will deliver to you at the principal office of the Trustee, in exchange for any Bonds delivered to you at the Closing, an equal aggregate principal amount of registered Bonds of said Series without coupons, in authorized denominations. The Company shall bear all expenses (including documentary or other similar taxes upon the original issue of the Bonds, but excluding any transfer or any similar taxes) and shall make no charge in connection with (i) the preparation, issue, authentication and delivery to you of any Bonds delivered to you at the Closing, and (ii) anything in the Indenture to the contrary notwithstanding, any exchange permitted by this paragraph. The Company will pay the reasonable cost of shipping for your account to your home office or to the office of a depository designated by you all Bonds delivered to you at the Closing or upon any exchange above provided. The Bonds shall be transferred in accordance with the provisions of Section 1.07 of the Original Indenture; provided that the Company shall make no charge in connection with the preparation, issue, authentication and delivery to any transferee of any Bonds; provided further that the Company shall not be required to pay any taxes or other governmental charges in connection with such transfer.

10. Home Office Payment. So long as you are the holder of any Bonds the Company will cause payment of principal and interest on any fully registered

Bond registered in your name to be made in the manner set forth in Schedule 1 or in such other manner or to such other address as you shall designate to the Company. In the case of any redemption of less than all of the Bonds such payment of principal on the Bonds shall be made without presentation or surrender of such Bonds.

11. Loss, Theft or Destruction of Bonds. In the event of mutilation of any Bond owned by you, upon surrender and cancellation of such Bond, the Company will deliver a new Bond, of like tenor, in lieu of such mutilated Bond. If you are the owner of any lost, stolen or destroyed Bond, then the affidavit of your President or a Vice President, setting forth the fact of loss, theft or destruction and of your ownership of the Bond at the time of such loss, theft or destruction shall be accepted by the Company as satisfactory evidence thereof, and no indemnity shall be required as a condition to execution and delivery of a new Bond other than your written agreement to indemnify the Company and the Trustee under the Indenture. No charge will be made to you for the delivery of a new Bond pursuant to this paragraph.

12. Survival. All covenants, agreements, representations and warranties made herein, and in certificates delivered pursuant hereto, by or on behalf of the Company, shall survive the execution and delivery of the Bonds to you hereunder and your payment therefor, and shall bind and inure to the benefit of the respective parties hereto and their successors and assigns.

13. Notices. All communications provided for hereunder shall be in writing, and, if to you, mailed or delivered to the address and for the attention of the person shown on Schedule 1, or, if to the Company, mailed or delivered to it at P. O. Box 593, Charleston, West Virginia 25322, or in either case such other address as may be designated in writing by the party to receive such notice.

14. Entire Agreement. It is understood and agreed that in entering into this Agreement you have not relied on any oral representations or oral warranties or oral information made or given to you by any representatives of the Company or by anyone on its behalf, and that all statements, covenants,

agreements, representations and warranties made herein supersede any oral or written statements inconsistent therewith. Any amendment hereto must be in writing.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the law of the Commonwealth of Kentucky.

16. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17. Captions. The headings preceding the text of the sections hereof are inserted solely for convenience of reference and shall not constitute a part of this Agreement nor affect its meaning, construction or effect.

If the foregoing is satisfactory to you, please sign the form of acceptance on the enclosed counterpart of this letter and forward the same to the Company, whereupon this letter will become a binding agreement between you and the Company.

Very truly yours,

KENTUCKY-AMERICAN WATER COMPANY

By /s/ Edward W. Limbach
 Edward W. Limbach
Its President

The foregoing Agreement is hereby accepted as of the date first above written.

AMERICAN UNITED LIFE INSURANCE COMPANY

By /s/ G. David Sapp
 Vice President
Its Securities

The provisions set forth in paragraph 10 of the foregoing Agreement are satisfactory to us.

FIDELITY BANK, NATIONAL ASSOCIATION,
as Trustee under the Indenture

By /s/ T. McPoyle

Its Assistant Secretary

KENTUCKY-AMERICAN WATER COMPANY

SCHEDULE 1

<u>Name and Address of Purchasers and Payment Information</u>	<u>Principal Amount of Bonds to be Purchased</u>
AMERICAN UNITED LIFE INSURANCE COMPANY Post Office Box 368 Indianapolis, Indiana 46206 Attention: Securities Department	\$ 6,000,000

Payments

All payments on or in respect of the Bonds to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as \$6,000,000 General Mortgage Bonds, 9.71% Series, Due September 1, 1998 of Kentucky-American Water Company, principal or interest) to:

Bank One
ABA #0740-0001-0
Securities Trust Area
8th Floor
101 Monument Circle
Indianapolis, Indiana 46277

for credit to American United Life
Insurance Company's Account No. 32032-50

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above.

(Taxpayer I.D. No. 35-0145825)

(CONFORMED COPY)

KENTUCKY-AMERICAN WATER COMPANY

TO

FIDELITY BANK, NATIONAL ASSOCIATION,
as Trustee

N I N T H S U P P L E M E N T A L I N D E N T U R E

dated as of October 1, 1989

SUPPLEMENTAL TO INDENTURE OF MORTGAGE

dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 9.37% SERIES

Due November 1, 2019

This is a NINTH SUPPLEMENTAL INDENTURE, dated as of the first day of October, 1989, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIDELITY BANK, NATIONAL ASSOCIATION (formerly The Fidelity Bank), a national banking association with its principal place of business in Philadelphia, Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Ninth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970 (hereinafter referred to as the "First Supplemental Indenture"), (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970 (hereinafter referred to as the "Supplement to the First Supplemental Indenture"), (d) a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter referred to as the "Second Supplemental Indenture"), (e) a Third Supplemental Indenture dated as of November 1, 1977 (hereinafter referred to as the "Third Supplemental Indenture"), (f) a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter referred to as the "Fourth Supplemental Indenture"), (g) a Fifth Supplemental Indenture dated as of June 1, 1983 (hereinafter referred to as the "Fifth Supplemental Indenture"), (h) a Sixth Supplemental Indenture dated as of August 1, 1985 (hereinafter referred to as the "Sixth Supplemental Indenture"), (i) a Seventh Supplemental Indenture dated as of January 1, 1987 (hereinafter referred to as the "Seventh Supplemental Indenture"), and (j) an Eighth Supplemental Indenture dated as of September 1, 1988 (hereinafter referred to as the "Eighth Supplemental Indenture"), the Original Indenture and any and all indentures supplemental thereto, being referred to hereinafter as the "Indenture", to

secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds are presently outstanding, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$1,160,000 aggregate principal amount of which bonds were outstanding as of December 31, 1988, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,340,000 aggregate principal amount of which bonds were outstanding as of December 31, 1988, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds are presently outstanding, (f) \$3,500,000 aggregate principal amount of General Mortgage Bonds, 11.5% Series, due April 15, 1992, all of which bonds are presently outstanding, (g) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds are presently outstanding, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds are presently outstanding, and (i) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this ninth supplemental indenture (hereinafter referred to as the "Ninth Supplemental

Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 9.37% Series, due November 1, 2019 (hereinafter referred to as the "Bonds of the 9.37% Series" as hereinafter provided in this Ninth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 9.37% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$8,000,000 aggregate principal amount of Bonds of the 9.37% Series.

E. All things necessary to make the Bonds of the 9.37% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Ninth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Ninth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 9.37% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS NINTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 9.37% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be

legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture, as amended, including, without limitation, the prior lien and all the provisions of the Prior Mortgage, as defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds

over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS NINTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 9.37% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 9.37% Series, due November 1, 2019", herein called the "Bonds of the 9.37% Series". The following terms are hereby prescribed for the Bonds of the 9.37% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 9.37% Series dated prior to May 1, 1990, the first interest payment date for such bonds, shall bear interest from the date of such bond.

(b) The aggregate principal amount of the Bonds of the 9.37% Series is limited to \$8,000,000.

(c) The Bonds of the 9.37% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively JR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 9.37% Series shall be due November 1, 2019.

(e) The principal of, premium, if any, and interest on the Bonds of the 9.37% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that portions (but not all) of the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 9.37% Series, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

(f) The Bonds of the 9.37% Series shall be dated as of the date of their authentication, except that if any Bond of the 9.37% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 9.37% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to May 1, 1990, shall bear interest from the date of authentication) until the principal

thereof is paid or duly provided for, at the rate of nine and thirty-seven hundredths percent (9.37%) per annum, payable semi-annually on the first day of May and November of each year, commencing on the first day of May, 1990. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 9.37% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 9.37% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 9.37% Series are to be redeemed the particular Bonds of the 9.37% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 9.37% Series by prorating (in the proportion that the principal amount of Bonds of the 9.37% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 9.37% Series) the principal amount of Bonds of the 9.37% Series to be redeemed among the registered owners of Bonds of the 9.37% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 9.37% Series.

(j) The Bonds of the 9.37% Series shall not be convertible.

(k) The Bonds of the 9.37% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 9.37% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment is to be made are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Ninth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 9.37% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 9.37% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 9.37% SERIES

The Bonds of the 9.37% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Ninth

Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 9.37% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 9.37% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 9.37% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 9.37% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 9.37% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 9.37% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this

Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with

established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Ninth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Ninth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Ninth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Ninth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Ninth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIDELITY BANK, NATIONAL ASSOCIATION, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

(SEAL)

KENTUCKY-AMERICAN WATER COMPANY

ATTEST:

/s/ Stephen N. Chambers
Secretary

By /s/ Dillard L. Edgemon
President

(SEAL)

FIDELITY BANK, NATIONAL ASSOCIATION

ATTEST:

/s/ William Roberts
Assistant Secretary

By /s/ John H. Clapham
Assistant Vice President

(FORM OF BOND OF 9.37% SERIES)

THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND LAWS.

No. JR-

KENTUCKY-AMERICAN WATER COMPANY

§

GENERAL MORTGAGE BOND, 9.37% SERIES, DUE NOVEMBER 1, 2019

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to or registered assigns, on the first day of November, 2019, at the principal office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of Dollars (\$) in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to May 1, 1990 from the date hereof) until the principal hereof is paid or duly provided for, at the rate of nine and thirty-seven hundredths percent (9.37%) per annum, in like coin or currency, semi-annually on the first day of May and the first day of November in each year, commencing on the first day of May, 1990; provided that portions (but not all) of the principal of and the premium, if any, and interest on this Bond may be paid by agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued

in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank (a predecessor to Fidelity Bank, National Association), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by nine supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Ninth Supplemental Indenture dated as of October 1, 1989, between the Company and the Trustee ("Ninth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 9.37% Series, due November 1, 2019" (hereinafter referred to as the "Bonds of the 9.37% Series").

The lien of the Indenture on the property of the Company is subject to (a) the lien of the Prior Mortgage as defined in the Indenture and (b) the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 9.37% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Indenture or otherwise under the Indenture at the option of the Company, except as set forth in the following paragraph.

Except as provided in Section 5.03 and Section 5.06 of the Original Indenture, as amended, the Bonds of the 9.37% Series shall not be redeemed prior to November 15, 2000. Thereafter, at any time and from time to time, unless redeemed in accordance with either Section 5.03 or Section 5.06 of the Original Indenture, as amended, the Bonds of the 9.37% Series may be redeemed at the option of the Company prior to maturity, in whole at any time or in

part from time to time, (but if in part, then in the proportion that the principal amount of the Bonds of the 9.37% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 9.37% Series), upon payment of the redemption price hereinafter set forth:

<u>TWELVE MONTH PERIOD BEGINNING NOVEMBER 15</u>	<u>REDEMPTION PRICE (Percentage of Principal Amount)</u>
1999	106.1390
2000	105.8159
2001	105.4928
2002	105.1697
2003	104.8466
2004	104.5235
2005	104.2004
2006	103.8773
2007	103.5542
2008	103.2311
2009	102.9080
2010	102.5849
2011	102.2618
2012	101.9387
2013	101.6156
2014	101.2925
2015	100.9694
2016	100.6463
2017	100.3232
2018	100.0000

together with accrued interest on such Bonds of the 9.37% Series to the date fixed for redemption. If the Bonds of the 9.37% Series, or any portion thereof, are called for redemption and payment thereof is duly provided for as specified in the Original Indenture, as amended, interest shall cease to accrue thereon or on such portion being redeemed, as the case may be, from and after the date fixed for redemption.

In all cases of redemption, notice shall be given by registered mail to the owners thereof not less than twenty-five (25) days before the date fixed for redemption, all on the conditions and in the manner provided in the Indenture.

The Bonds shall be subject to mandatory redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 9.37% Series shall be 100% of the principal amount thereof plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to

accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 9.37% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds

then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in total principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium hereon, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall

authenticate and deliver, a new registered Bond or Bonds of the 9.37% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 9.37% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until Fidelity Bank, National Association, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By _____
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 9.37% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Ninth Supplemental Indenture.

FIDELITY BANK, NATIONAL ASSOCIATION
as Trustee

By _____
Authorized Officer

Fidelity Bank, National Association, mortgagee and trustee within named, hereby certifies that its precise name and address are Fidelity Bank, National Association, 135 South Broad Street, Philadelphia, Pennsylvania.

FIDELITY BANK, NATIONAL ASSOCIATION

By /s/ John H. Clapham
Assistant Secretary

This Ninth Supplemental
Indenture was prepared by

Stephen N. Chambers, Esquire
1325 Virginia Street, East
P. O. Box 593
Charleston, WV 25322

By /s/ Stephen N. Chambers
Stephen N. Chambers

RECORDATION DATA

<u>County</u>	<u>Date and Time</u>	<u>Book and Page Number</u>
Bourbon	12/21/89, 2:15 p.m.	Book 206, Page 760
Fayette	12/22/89, 9:18 a.m.	Book 1572, Page 570
Harrison	12/21/89, 2:45 p.m.	Book 105, Page 696
Scott	12/21/89, 3:25 p.m.	Book 210, Page 217
Woodford	12/22/89, 9:50 a.m.	Book 140, Page 531
Jessamine	5/25/90, 9:48 a.m.	Book 226, Page 315

(CONFORMED COPY)

KENTUCKY-AMERICAN WATER COMPANY

TO

FIDELITY BANK, NATIONAL ASSOCIATION,
as Trustee

AMENDED AND RESTATED
TENTH SUPPLEMENTAL INDENTURE

dated as of November 1, 1990

SUPPLEMENTAL TO INDENTURE OF MORTGAGE

dated as of May 1, 1968

GENERAL MORTGAGE BONDS, 9.83% SERIES

due November 1, 2000

This is an AMENDED AND RESTATED TENTH SUPPLEMENTAL INDENTURE, dated as of the first day of November, 1990, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIDELITY BANK, NATIONAL ASSOCIATION (formerly The Fidelity Bank), a national banking association with its principal place of business in Philadelphia, Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Amended and Restated Tenth Supplemental Indenture is as follows:

A. The parties hereto have previously executed, and on November 26, 1990 recorded, a Tenth Supplemental Indenture which, through mistake and inadvertence, contains certain errors and omissions. The parties hereto desire to correct said errors and omissions by executing, delivering and recording, pursuant to the authority granted in Section 12.01(f) of the Company's Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), this Amended and Restated Tenth Supplemental Indenture which sets forth all of the correct terms and conditions of the Tenth Supplemental Indenture in their entirety. This Amended and Restated Tenth Supplemental Indenture supersedes and replaces said Tenth Supplemental Indenture in its entirety. This Amended and Restated Tenth Supplemental Indenture shall hereinafter be referred to as the "Tenth Supplemental Indenture."

B. The Company has heretofore executed and delivered to the Trustee (a) its Original Indenture, (b) a First Supplemental Indenture dated as of December 1, 1970 (hereinafter referred to as the "First Supplemental Indenture"), (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970 (hereinafter referred to as the "Supplement to the First Supplemental Indenture"), (d) a Second Supplemental Indenture dated as of September 1, 1974 (hereinafter referred to as the "Second Supplemental Indenture"), (e) a Third Supplemental Indenture dated as of

November 1, 1977 (hereinafter referred to as the "Third Supplemental Indenture"), (f) a Fourth Supplemental Indenture dated as of December 1, 1982 (hereinafter referred to as the "Fourth Supplemental Indenture"), (g) a Fifth Supplemental Indenture dated as of June 1, 1983 (hereinafter referred to as the "Fifth Supplemental Indenture"), (h) a Sixth Supplemental Indenture dated as of August 1, 1985 (hereinafter referred to as the "Sixth Supplemental Indenture"), (i) a Seventh Supplemental Indenture dated as of January 1, 1987 (hereinafter referred to as the "Seventh Supplemental Indenture"), (j) an Eighth Supplemental Indenture dated as of September 1, 1988 (hereinafter referred to as the "Eighth Supplemental Indenture"), and (k) a Ninth Supplemental Indenture dated as of October 1, 1989 (hereinafter referred to as the "Ninth Supplemental Indenture"), the Original Indenture and any and all indentures supplemental thereto, being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

C. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds are presently outstanding, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$1,040,000 aggregate principal amount of which bonds are presently outstanding, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,220,000 aggregate principal amount of which bonds are presently outstanding, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds are presently outstanding, (f) \$3,500,000 aggregate principal amount of General Mortgage Bonds, 11.5% Series, due April 15, 1992, all of which bonds are presently

outstanding, (g) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds are presently outstanding, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds are presently outstanding, (i) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, and (j) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding.

D. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this Tenth Supplemental Indenture in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 9.83% Series, due November 1, 2000 (hereinafter referred to as the "Bonds of the 9.83% Series" as hereinafter provided in this Tenth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 9.83% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

E. The Company proposes to procure the authentication and delivery of an issue of \$4,000,000 aggregate principal amount of Bonds of the 9.83% Series.

F. All things necessary to make the Bonds of the 9.83% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Tenth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Tenth Supplemental

Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 9.83% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS TENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 9.83% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited in the Original Indenture, as amended, including, without limitation, the prior lien and all the provisions of the Prior Mortgage, as defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date of maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS TENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 9.83% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 9.83% Series, due November 1, 2000", herein called the "Bonds of the 9.83% Series". The following terms are hereby prescribed for the Bonds of the 9.83% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 9.83% Series dated prior to May 1, 1991, the first interest payment date for such bonds, shall bear interest from the date of such bond.

(b) The aggregate principal amount of the Bonds of the 9.83% Series is limited to \$4,000,000.

(c) The Bonds of the 9.83% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively KR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 9.83% Series shall be due November 1, 2000.

(e) The principal of, premium, if any, and interest on the Bonds of the 9.83% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that portions (but not all) of the principal of and the premium, if any, and interest on such Bonds may be paid by

agreement of the Company with the registered owner of the Bonds of the 9.83% Series, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

(f) The Bonds of the 9.83% Series shall be dated as of the date of their authentication, except that if any Bond of the 9.83% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 9.83% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to May 1, 1991, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of nine and eighty-three hundredths percent (9.83%) per annum, payable semi-annually on the first day of May and November of each year, commencing on the first day of May, 1991. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 9.83% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 9.83% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 9.83% Series are to be redeemed the particular Bonds of the 9.83% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 9.83% Series by prorating (in the proportion that the principal amount of Bonds of the 9.83% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 9.83% Series) the principal amount of Bonds of the 9.83% Series to be redeemed among the

registered owners of Bonds of the 9.83% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 9.83% Series.

(j) The Bonds of the 9.83% Series shall not be convertible.

(k) The Bonds of the 9.83% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 9.83% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment is to be made are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Tenth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 9.83% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 9.83% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 9.83% SERIES

The Bonds of the 9.83% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Tenth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 9.83% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 9.83% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 9.83% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 9.83% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 9.83% Series are outstanding, without the consent of the registered owner of at least a majority in principal amount of the Bonds of the 9.83% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue

and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there

shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Tenth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Tenth Supplemental Indenture with the

same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Tenth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Tenth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Tenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIDELITY BANK, NATIONAL ASSOCIATION, has caused these presents to be signed in its corporate name by one of its

Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

(SEAL)

KENTUCKY-AMERICAN WATER COMPANY

ATTEST:

/s/ Stephen N. Chambers
Secretary

By /s/ C. E. Jarrett
Vice President

(SEAL)

FIDELITY BANK, NATIONAL ASSOCIATION

ATTEST:

/s/ Terence C. McPoyle
Assistant Secretary

By /s/ John H. Clapham
Assistant Vice President

EXHIBIT A

(FORM OF BOND OF 9.83% SERIES)

EXHIBIT 4
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THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND LAWS.

No. KR-

KENTUCKY-AMERICAN WATER COMPANY

\$

GENERAL MORTGAGE BOND, 9.83% SERIES, DUE NOVEMBER 1, 2000

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to or registered assigns, on the first day of November, 2000, at the principal office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of Dollars (\$) in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to May 1, 1991, from the date hereof) until the principal hereof is paid or duly provided for, at the rate of nine and eighty-three hundredths percent (9.83%) per annum, in like coin or currency, semi-annually on the first day of May and the first day of November in each year, commencing on the first day of May, 1991; provided that portions (but not all) of the principal of and the premium, if any, and interest on this Bond may be paid by agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued

in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank (a predecessor to Fidelity Bank, National Association), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by ten supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are and are to be secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Tenth Supplemental Indenture dated as of November 1, 1990, between the Company and the Trustee ("Tenth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 9.83% Series, due November 1, 2000" (hereinafter referred to as the "Bonds of the 9.83% Series").

The lien of the Indenture on the property of the Company is subject to (a) the lien of the Prior Mortgage as defined in the Indenture and (b) the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 9.83% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Indenture or otherwise under the Indenture at the option of the Company.

The Bonds of the 9.83% Series shall be subject to mandatory redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as

defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 9.83% Series shall be 100% of the principal amount thereof plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire

balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 9.83% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture

supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in total principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium hereon, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 9.83% Series,

in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 9.83% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until Fidelity Bank, National Association, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated

KENTUCKY-AMERICAN WATER COMPANY

By _____
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 9.83% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Tenth Supplemental Indenture.

FIDELITY BANK, NATIONAL ASSOCIATION
as Trustee

By _____
Authorized Officer

STATE OF WEST VIRGINIA)

COUNTY OF KANAWHA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 19th day of December, 1990, by C. E. Jarrett, Vice President of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

My commission expires: January 29, 1996.

/s/ Peggy L. Shaffer
Notary Public

COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 20th day of December, by John H. Clapham, Asst. Vice President of Fidelity Bank, National Association, on behalf of the corporation.

My commission expires: July 25, 1994.

/s/ Joan M. Berg
Notary Public

Fidelity Bank, National Association, mortgagee and trustee within named, hereby certifies that its precise name and address are Fidelity Bank, National Association, 135 South Broad Street, Philadelphia, Pennsylvania.

FIDELITY BANK, NATIONAL ASSOCIATION

By /s/ John H. Clapham
Assistant Secretary

This Tenth Supplemental
Indenture was prepared by

Stephen N. Chambers, Esquire
1325 Virginia Street, East
P. O. Box 593
Charleston, WV 25322

By /s/ Stephen N. Chambers
Stephen N. Chambers

RECORDATION DATA

EXHIBIT 4
Page 381 of 520

Tenth Supplemental Indenture
Dated as of November 1, 1990
Between
Kentucky-American Water Company
and
Fidelity Bank, National Association

<u>County</u>	<u>Date and Time</u>	<u>Mortgage Book and Page Number</u>
Bourbon	November 26, 1990 10:06 a.m.	Book 211, Page 463
Fayette	November 26, 1990 2:46 p.m.	Book 1626, Page 436
Harrison	November 26, 1990 10:55 a.m.	*Book 186, Page 353
Jessamine	November 26, 1990 1:07 p.m.	Book 229, Page 354
Scott	November 26, 1990 11:42 a.m.	Book 219, Page 351
Woodford	November 26, 1990 12:20 p.m.	Book 148, Page 479

***Recorded in Deed Book instead of Mortgage Book**

Amended and Restated Tenth Supplemental Indenture
Dated as of November 1, 1990
Between
Kentucky-American Water Company
and
Fidelity Bank, National Association

<u>County</u>	<u>Date and Time</u>	<u>Mortgage Book and Page Number</u>
Bourbon	December 26, 1990 11:05 a.m.	Book 211, Page 793
Fayette	December 26, 1990 12:34 p.m.	Book 1630, Page 715
Harrison	December 26, 1990 1:45 p.m.	Book 109, Page 695
Jessamine	December 27, 1990 9:43 a.m.	Book 230, Page 255
Scott	December 26, 1990 2:30 p.m.	Book 220, Page 204
Woodford	December 26, 1990 3:05 p.m.	Book 149, Page 242

This is an ELEVENTH SUPPLEMENTAL INDENTURE, dated as of the first day of December, 1991, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIDELITY BANK, NATIONAL ASSOCIATION (formerly The Fidelity Bank), a national banking association with its principal place of business in Philadelphia, Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Eleventh Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, and (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

*Return to Hon. Gary Stage
Stall, Keenon & Park
1000 First Security Plaza
Lexington, Ky 40507*

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds are presently outstanding, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$980,000 aggregate principal amount of which bonds are presently outstanding, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,160,000 aggregate principal amount of which bonds are presently outstanding, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds are presently outstanding, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds are presently outstanding, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds are presently outstanding, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, and (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this eleventh supplemental indenture (hereinafter referred to as the "Eleventh Supplemental Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 8.36% Series, due December 1, 2001 (hereinafter referred to as the "Bonds of the 8.36% Series" as hereinafter

provided in this Eleventh Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 8.36% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$13,000,000 aggregate principal amount of Bonds of the 8.36% Series.

E. All things necessary to make the Bonds of the 8.36% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Eleventh Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Eleventh Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 8.36% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS ELEVENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 8.36% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof), and further has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged,

pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm, unto Fidelity Bank, National Association, as Trustee, and to its successors in the trust, and to them and their assigns forever, all that piece or parcel of land more particularly identified in Exhibit B hereto, which Exhibit is hereby incorporated in and made a part of this granting clause as if set forth herein in full.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or

any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS ELEVENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 8.36% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 8.36% Series, due December 1, 2001", herein called the "Bonds of the 8.36% Series". The following terms are hereby prescribed for the Bonds of the 8.36% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 8.36% Series dated prior to June 1, 1992, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 8.36% Series is limited to \$13,000,000.

(c) The Bonds of the 8.36% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively LR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 8.36% Series shall be due December 1, 2001.

(e) The principal of, premium, if any, and interest on the Bonds of the 8.36% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 8.36% Series, by check mailed or bank wire transfer to the person entitled thereto at the address specified in such agreement, subject, in the case of payment in full of the principal thereof, to the presentation of such Bonds as provided in the Indenture.

(f) The Bonds of the 8.36% Series shall be dated as of the date of their authentication, except that if any Bond of the 8.36% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 8.36% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to June 1, 1992, shall bear interest from the date of authentication) until the principal thereof is

paid or duly provided for, at the rate of eight and thirty-six hundredths percent (8.36%) per annum, payable semiannually on the first day of June and December of each year, commencing on the first day of June, 1992. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 8.36% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 8.36% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 8.36% Series are to be redeemed the particular Bonds of the 8.36% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 8.36% Series by prorating (in the proportion that the principal amount of Bonds of the 8.36% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 8.36% Series) the principal amount of Bonds of the 8.36% Series to be redeemed among the registered owners of Bonds of the 8.36% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 8.36% Series.

(j) The Bonds of the 8.36% Series shall not be convertible.

(k) The Bonds of the 8.36% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 8.36% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in the City from where the payment is to be made are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in the City from where the payment is to be made are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Eleventh Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 8.36% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 8.36% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 8.36% SERIES

The Bonds of the 8.36% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Eleventh Supplemental Indenture), upon receipt by the Trustee of the resolutions,

certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 8.36% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 8.36% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 8.36% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 8.36% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 8.36% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 8.36% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income

for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but

excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Eleventh Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Eleventh Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Eleventh Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

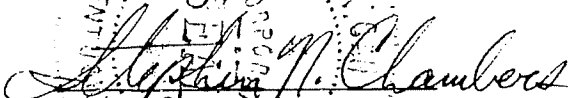
For all purposes hereof, all terms contained in this Eleventh Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Eleventh Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIDELITY BANK, NATIONAL ASSOCIATION, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

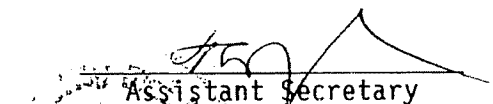
(SEAL)

ATTEST:


Secretary

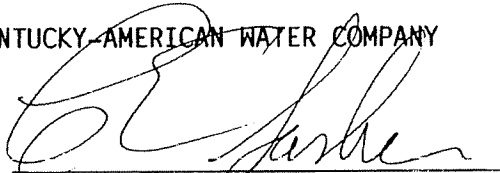
(SEAL)

ATTEST:


Assistant Secretary

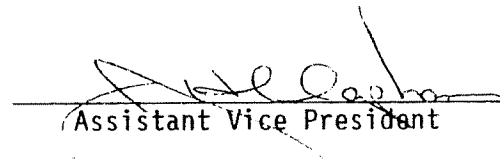
KENTUCKY-AMERICAN WATER COMPANY

By


Vice President

FIDELITY BANK, NATIONAL ASSOCIATION

By


Assistant Vice President

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank (a predecessor to Fidelity Bank, National Association), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by eleven supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Eleventh Supplemental Indenture dated as of December 1, 1991, between the Company and the Trustee ("Eleventh Supplemental Indenture") and designated therein as "General Mortgage Bonds, 8.36% Series, due December 1, 2001" (hereinafter referred to as the "Bonds of the 8.36% Series").

The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 8.36% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Indenture or otherwise under the Indenture at the option of the Company.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 8.36% Series shall be 100% of the principal amount thereof plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the

obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 8.36% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds

then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in total principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium hereon, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall

authenticate and deliver, a new registered Bond or Bonds of the 8.36% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 8.36% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until Fidelity Bank, National Association, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this ____ day of January, 1992.

KENTUCKY-AMERICAN WATER COMPANY

By _____
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 8.36% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Eleventh Supplemental Indenture.

FIDELITY BANK, NATIONAL ASSOCIATION
as Trustee

By _____
Authorized Officer

EXHIBIT B

KENTUCKY-AMERICAN WATER COMPANY

DESCRIPTION OF LANDS

All that piece or parcel of land situate in Fayette County, Kentucky conveyed to the Company by the deed referred to below, which has been recorded as indicated in the Office of the County Court Clerk of Fayette County:

<u>Grantor</u>	<u>Date of Deed</u>	<u>Recording Data</u>	
		<u>Book Number</u>	<u>Page Number</u>
Oscar Rucker, Jr. and Patricia Anne Rucker, his wife	4/17/91	1582	254

STATE OF WEST VIRGINIA)

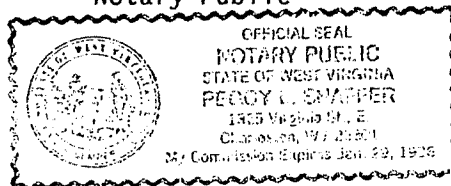
COUNTY OF KANAWHA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 15th day of January, 1992, by C. E. Sasher, Vice President of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

My commission expires: January 29, 1996.

Peggy L. Shaffer

Notary Public

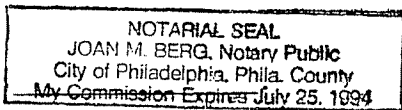


COMMONWEALTH OF PENNSYLVANIA)

COUNTY OF PHILADELPHIA)

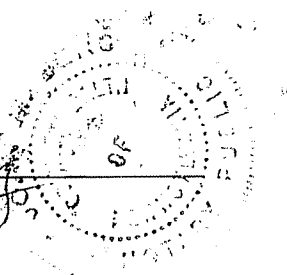
The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 16th day of JANUARY by John H. Clapham, Asst. Vice Pres. of Fidelity Bank, National Association, on behalf of the corporation.

My commission expires:



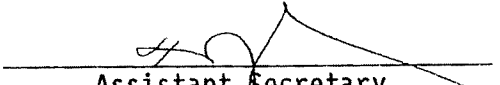
Joan M. Berg

Notary Public



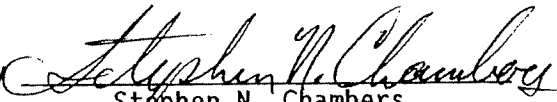
Fidelity Bank, National Association, mortgagee and trustee within named, hereby certifies that its precise name and address are Fidelity Bank, National Association, 135 South Broad Street, Philadelphia, Pennsylvania.

FIDELITY BANK, NATIONAL ASSOCIATION

By 
Assistant Secretary

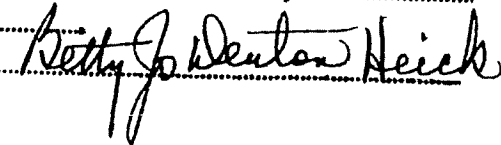
This Eleventh Supplemental Indenture was prepared by


Stephen N. Chambers, Esquire
1325 Virginia Street, East
P. O. Box 593
Charleston, WV 25322

By 
Stephen N. Chambers

State of Kentucky, County of Bourbon, Sct. I, BETTY JO DENTON HEICK, Clerk of the Bourbon County Court, do certify that the foregoing *supplemental indenture* was, on the 21 day of JAN 1992, at 12:07 P M., lodged in my office for record, and that it has been duly recorded in my said office, together with this and the certificate thereon endorsed.

Given under my hand this 21 day of JAN 1992.

Clerk 

DOCUMENT NO: 51960
RECORDED ON JUNE 11, 1998 03:06:11PM
TOTAL FEES: \$52.00
COUNTY CLERK: ANITA JONES
COUNTY: CLARK COUNTY
DEPUTY CLERK: LADONNA STAMPER 

This is a TWELFTH SUPPLEMENTAL INDENTURE, dated as of the first day of December, 1992, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIDELITY BANK, NATIONAL ASSOCIATION (formerly The Fidelity Bank), a national banking association with its principal place of business in Philadelphia, Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Twelfth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, and (n) an Eleventh Supplemental Indenture dated as of December 1, 1991, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

Return to

Frank L. Wilford, Esq.
STOLL, KEENON & PARK
1000 First Security Plaza
Lexington, Kentucky 40507

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds are presently outstanding, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds are outstanding and are to be called for redemption, in full, on December 1, 1992, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$920,000 aggregate principal amount of which bonds were outstanding and were redeemed, in full, on October 1, 1992, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,100,000 aggregate principal amount of which bonds are presently outstanding, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds are to be paid and retired on the effective date of this Twelfth Supplemental Indenture, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds are presently outstanding, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds are presently outstanding, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding, and (k) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 8.36% Series, due December 1, 2001, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this twelfth supplemental indenture (hereinafter referred to as the "Twelfth Supplemental

Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 7.21% Series, due December 1, 2002 (hereinafter referred to as the "Bonds of the 7.21% Series" as hereinafter provided in this Twelfth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 7.21% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$13,000,000 aggregate principal amount of Bonds of the 7.21% Series.

E. All things necessary to make the Bonds of the 7.21% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Twelfth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Twelfth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 7.21% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS TWELFTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 7.21% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture

(except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof), and further has granted, bargained, sold, released, conveyed, assigned, transferred, mortgaged, pledged, set over and confirmed, and by these presents does grant, bargain, sell, release, convey, assign, transfer, mortgage, pledge, set over and confirm, unto Fidelity Bank, National Association, as Trustee, and to its successors in the trust, and to them and their assigns forever, all that piece or parcel of land more particularly identified in Exhibit B hereto, which Exhibit is hereby incorporated in and made a part of this granting clause as if set forth herein in full.

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date or maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS TWELFTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 7.21% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 7.21% Series, due December 1, 2002", herein called the "Bonds of the 7.21% Series". The following terms are hereby prescribed for the Bonds of the 7.21% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 7.21% Series dated prior to June 1, 1993, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 7.21% Series is limited to \$13,000,000.

(c) The Bonds of the 7.21% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively MR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 7.21% Series shall be due December 1, 2002.

(e) The principal of, premium, if any, and interest on the Bonds of the 7.21% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 7.21% Series, by check mailed or bank wire transfer to the person entitled thereto at the address specified in such agreement, subject, in the case of payment in full of the principal thereof, to the presentation of such Bonds as provided in the Indenture.

(f) The Bonds of the 7.21% Series shall be dated as of the date of their authentication, except that if any Bond of the 7.21% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 7.21% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to June 1, 1993, shall bear interest from the date of authentication) until the principal thereof is

paid or duly provided for, at the rate of seven and twenty-one hundredths percent (7.21%) per annum, payable semiannually on the first day of June and December of each year, commencing on the first day of June, 1993. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 7.21% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 7.21% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 7.21% Series are to be redeemed the particular Bonds of the 7.21% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 7.21% Series by prorating (in the proportion that the principal amount of Bonds of the 7.21% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 7.21% Series) the principal amount of Bonds of the 7.21% Series to be redeemed among the registered owners of Bonds of the 7.21% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 7.21% Series.

(j) The Bonds of the 7.21% Series shall not be convertible.

(k) The Bonds of the 7.21% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 7.21% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Twelfth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 7.21% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 7.21% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 7.21% SERIES

The Bonds of the 7.21% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Twelfth Supplemental Indenture), upon receipt by the Trustee of the resolutions,

certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 7.21% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 7.21% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 7.21% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 7.21% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 7.21% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 7.21% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income

for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but

excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Twelfth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Twelfth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Twelfth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

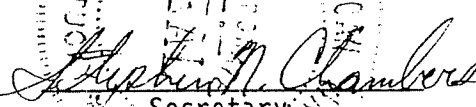
PART VI

MISCELLANEOUS PROVISIONS

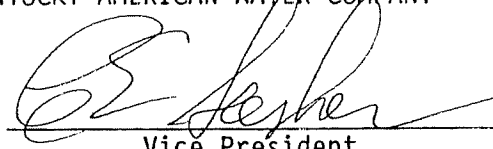
For all purposes hereof, all terms contained in this Twelfth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Twelfth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIDELITY BANK, NATIONAL ASSOCIATION, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.


(SEAL)
ATTEST:

Secretary

KENTUCKY-AMERICAN WATER COMPANY

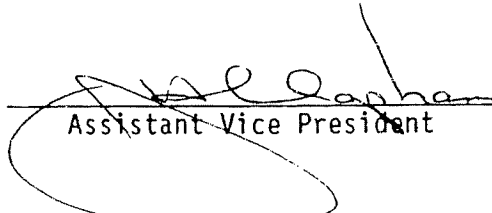
By 
Vice President

(SEAL)

ATTEST:


Assistant Secretary

FIDELITY BANK, NATIONAL ASSOCIATION

By 
Assistant Vice President

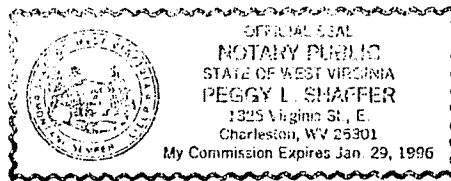
STATE OF WEST VIRGINIA)
COUNTY OF KANAWHA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 18th day of December, 1992, by C. E. Sasher, Vice President of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

My commission expires: January 29, 1996.

Peggy L. Shaffer

Notary Public



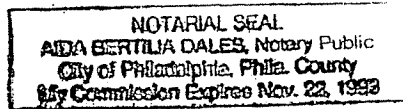
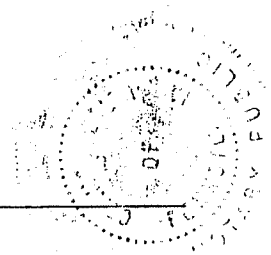
COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 21st day of December, 1992 by John H. Clapham, Asst. Vice Pres. of Fidelity Bank, National Association, on behalf of the corporation.

My commission expires: Nov. 22, 1993.

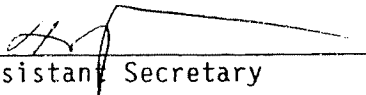
Aida Bertilia Dales

Notary Public



Fidelity Bank, National Association, mortgagee and trustee within named, hereby certifies that its precise name and address are Fidelity Bank, National Association, 135 South Broad Street, Philadelphia, Pennsylvania.

FIDELITY BANK, NATIONAL ASSOCIATION

By  Assistant Secretary

This Twelfth Supplemental
Indenture was prepared by

Stephen N. Chambers, Esquire
1325 Virginia Street, East
P. O. Box 593
Charleston, WV 25322

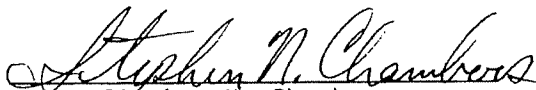
By 
Stephen N. Chambers

EXHIBIT A

(FORM OF BOND OF 7.21% SERIES)

THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND LAWS.

No. MR- KENTUCKY-AMERICAN WATER COMPANY \$

GENERAL MORTGAGE BOND, 7.21% SERIES, DUE DECEMBER 1, 2002

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to or registered assigns, on the first day of December, 2002, at the principal office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of _____ Dollars (\$ _____) in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to June 1, 1993, from the date hereof) until the principal hereof is paid or duly provided for, at the rate of seven and twenty-one hundredths percent (7.21%) per annum, in like coin or currency, semiannually on the first day of June and the first day of December in each year, commencing on the first day of June, 1993; provided that the principal of and the premium, if any, and interest on this Bond may be paid by agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer to the person entitled thereto at the address specified in such agreement, subject, in the case of the payment in full of the principal of this Bond, to the presentation and surrender of the Bond as provided in the Indenture.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank (a predecessor to Fidelity Bank, National Association), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by twelve supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Twelfth Supplemental Indenture dated as of December 1, 1992, between the Company and the Trustee ("Twelfth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 7.21% Series, due December 1, 2002" (hereinafter referred to as the "Bonds of the 7.21% Series").

The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 7.21% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Indenture or otherwise under the Indenture at the option of the Company.

In the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof, the award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 7.21% Series shall be 100% of the principal amount thereof plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the

obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 7.21% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds

then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in total principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium hereon, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, or premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall

authenticate and deliver, a new registered Bond or Bonds of the 7.21% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 7.21% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until Fidelity Bank, National Association, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this ____ day of _____, 1992.

KENTUCKY-AMERICAN WATER COMPANY

By _____
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 7.21% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Twelfth Supplemental Indenture.

FIDELITY BANK, NATIONAL ASSOCIATION
as Trustee

By _____
Authorized Officer

EXHIBIT B

KENTUCKY-AMERICAN WATER COMPANY

DESCRIPTION OF LANDS

All that piece or parcel of land situate in Scott County, Kentucky conveyed to the Company by the deed referred to below, which has been recorded as indicated in the Office of the County Court Clerk of Scott County:

<u>Grantor</u>	<u>Date of Deed</u>	<u>Recording Data</u>	
		<u>Book Number</u>	<u>Page Number</u>
W. K. Henry and Sarah T. Henry	6/24/92	195	617

State of Kentucky, County of Bourbon, Sec. 1, BETTY JO DENTON HEICK, Clerk of the Bourbon County Court, do certify that the foregoing *supplement to indenture* was, on the 28 day of DEC 19 92, at 10:47 AM., lodged in my office for record, and that it has been duly recorded in my said office, together with this and the certificate thereon endorsed.

Given under my hand this 28 day of DEC

19 92
Clerk *Betty Jo Denton Heick*

By: *Pat Thomas, D.C.*

DOCUMENT NO: 51961
RECORDED ON: JUNE 11, 1998 03:10:57PM
TOTAL FEES: \$52.00
COUNTY CLERK: ANITA JONES
COUNTY: CLARK COUNTY
DEPUTY CLERK: LADONNA STAMPER *JS*

B-1

This is a THIRTEENTH SUPPLEMENTAL INDENTURE, dated as of the first day of December, 1993, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIRST FIDELITY BANK, N.A., PENNSYLVANIA (formerly The Fidelity Bank), a national banking association with its principal place of business in Philadelphia, Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Thirteenth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, (n) an Eleventh Supplemental Indenture dated as of December 1, 1991, and (o) a Twelfth Supplemental Indenture dated as of December 1, 1992, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

Return To:
Frank L. Willard, Esq.
Stoll Keenon & Park
201 E. Main St. Suite 1000
Lexington, KY 40507

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds were outstanding when redeemed, in full, on March 1, 1993, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds were outstanding when redeemed, in full, on December 1, 1992, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$920,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on October 1, 1992, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,100,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on March 1, 1993, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds were paid and retired, in full, on December 1, 1992, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds are presently outstanding, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds are presently outstanding, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding, (k) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 8.36% Series, due December 1, 2001, all of which bonds are presently outstanding, and (l) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 7.21% Series, due December 1, 2002, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this thirteenth supplemental indenture (hereinafter referred to as the "Thirteenth Supplemental Indenture") in order to

create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 6.96% Series, due December 1, 2023 (hereinafter referred to as the "Bonds of the 6.96% Series" as hereinafter provided in this Thirteenth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 6.96% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$7,000,000 aggregate principal amount of Bonds of the 6.96% Series.

E. All things necessary to make the Bonds of the 6.96% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Thirteenth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Thirteenth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 6.96% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS THIRTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 6.96% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date of maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided,

further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS THIRTEENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 6.96% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 6.96% Series, due December 1, 2023", herein called the "Bonds of the 6.96% Series". The following terms are hereby prescribed for the Bonds of the 6.96% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 6.96% Series dated prior to June 1, 1994, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 6.96% Series is limited to \$7,000,000.

(c) The Bonds of the 6.96% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively NR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 6.96% Series shall be due December 1, 2023.

(e) The principal of, premium, if any, and interest on the Bonds of the 6.96% Series shall be payable at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 6.96% Series, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of payment in full of the principal thereof, to the presentation and surrender of such Bonds as provided in the Indenture.

(f) The Bonds of the 6.96% Series shall be dated as of the date of their authentication, except that if any Bond of the 6.96% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 6.96% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to June 1, 1994, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of six and ninety-six hundredths percent (6.96%) per annum, payable semiannually on the first day of June and December of each year, commencing on the first day of June, 1994. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 6.96% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 6.96% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 6.96% Series are to be redeemed the particular Bonds of the 6.96% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the

outstanding Bonds of the 6.96% Series by prorating (in the proportion that the principal amount of Bonds of the 6.96% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 6.96% Series) the principal amount of Bonds of the 6.96% Series to be redeemed among the registered owners of Bonds of the 6.96% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 6.96% Series.

(j) The Bonds of the 6.96% Series shall not be convertible.

(k) The Bonds of the 6.96% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 6.96% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Thirteenth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 6.96% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 6.96% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 6.96% SERIES

The Bonds of the 6.96% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Thirteenth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 6.96% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 6.96% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 6.96% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 6.96% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 6.96% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 6.96% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Thirteenth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Thirteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Thirteenth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set

forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

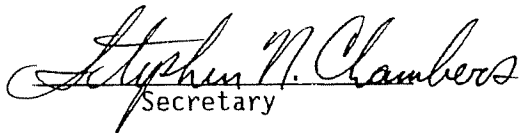
For all purposes hereof, all terms contained in this Thirteenth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

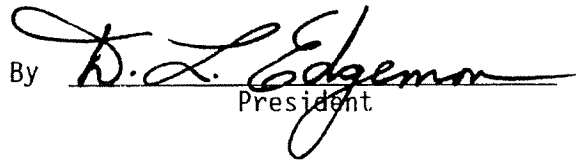
This Thirteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and First Fidelity Bank, N.A., Pennsylvania, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, all as of the day and year first above written.

ATTEST:

KENTUCKY-AMERICAN WATER COMPANY

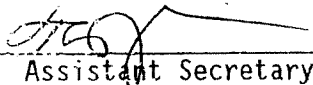

Secretary

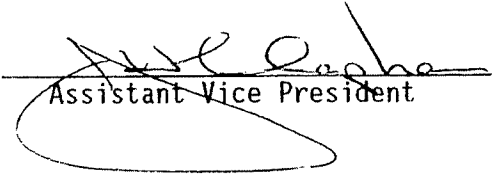
By 
President

(CORPORATE SEAL)

ATTEST:

FIRST FIDELITY BANK, N.A., PENNSYLVANIA


Assistant Secretary

By 
Assistant Vice President

(CORPORATE SEAL)

STATE OF WEST VIRGINIA)

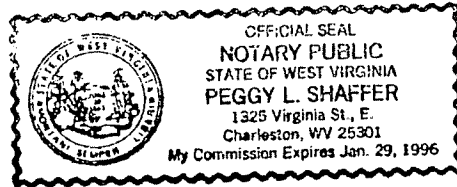
COUNTY OF KANAWHA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 15th day of December, 1993, by D. L. Edgemon, President of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

My commission expires: January 29, 1996.

Peggy L. Shaffer

Notary Public



COMMONWEALTH OF PENNSYLVANIA)

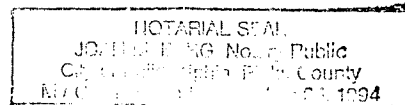
COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 16th day of December, 1993, by John H. Clapham, Asst. Vice President of First Fidelity Bank, N.A., Pennsylvania, on behalf of the corporation.

My commission expires: July 25, 1994.

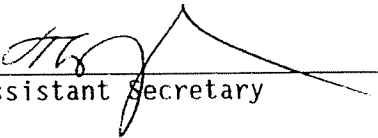
Jean M. Berg

Notary Public



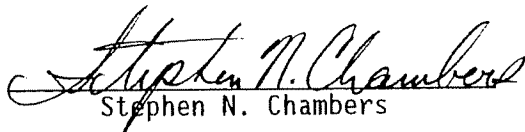
First Fidelity Bank, N.A., Pennsylvania, mortgagee and trustee within named, hereby certifies that its precise name and address are First Fidelity Bank, N.A., Pennsylvania, 123 South Broad Street, Philadelphia, Pennsylvania.

FIRST FIDELITY BANK, N.A., PENNSYLVANIA

By  Assistant Secretary

This Thirteenth Supplemental
Indenture was prepared by

Stephen N. Chambers, Esquire
1325 Virginia Street, East
P. O. Box 593
Charleston, WV 25322

By  Stephen N. Chambers

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to The Fidelity Bank (a predecessor to First Fidelity Bank, N.A., Pennsylvania), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by thirteen supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Thirteenth Supplemental Indenture dated as of December 1, 1993, between the Company and the Trustee ("Thirteenth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 6.96% Series, due December 1, 2023" (hereinafter referred to as the "Bonds of the 6.96% Series").

The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 6.96% Series are not subject to redemption at the option of the Company pursuant to Section 6.03 or Section 6.04 of the Original Indenture or otherwise under the Indenture, except as hereinafter provided. The Bonds of the 6.96% Series may be redeemed at the option of the Company, in whole or in part (but if in part, then in a minimum principal amount of \$100,000 and in the proportion that the principal amount of the Bonds of the 6.96% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 6.96% Series), at any time and from time to time on or after December 1, 2003, upon payment of a redemption price equal to the principal amount thereof

to be redeemed, together with interest accrued thereon to the date fixed for redemption, plus a premium equal to the "Make-Whole Premium", as hereinafter defined. The Make-Whole Premium shall be determined five (5) business days prior to the date fixed for redemption. Notice of the Make-Whole Premium, if any, together with the calculations, in reasonable detail, used to determine any such premium shall be given to the Trustee and each holder of the Bonds of the 6.96% Series on the day it is determined, by telecopy or other same-day communication.

"**Make-Whole Premium**" shall mean, in connection with any redemption, the excess, if any, of (i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of each such dollar of principal if such redemption had not been made, said present value to be determined by discounting such amounts at the "Reinvestment Rate" (hereinafter defined) from the respective dates on which such principal and interest would have been payable, over (ii) 100% of the principal amount of the outstanding Bonds of the 6.96% Series being redeemed. If the Reinvestment Rate is equal to or higher than 6.96%, the Make-Whole Premium shall be zero.

"**Reinvestment Rate**" shall mean the sum of (i) 0.5% plus (ii) the arithmetic mean of the yields for the two columns under the heading "Week Ending" published in the Statistical Release (hereinafter defined) under the caption "Treasury Constant Maturities" for the period corresponding to the remaining life to maturity of the Bonds of the 6.96% Series. If no published maturity exactly corresponds to such period, yields for the two published maturities most closely corresponding to such period shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the premium hereunder shall be used.

"Statistical Release" shall mean the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Federal Reserve System and which establishes yields on actively traded United States Government Securities adjusted to constant maturities or, if such statistical release is not published at the time of any determination hereunder, then such other reasonably comparable index which shall be designated by the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the Bonds of the 6.96% Series then outstanding.

The Bonds of the 6.96% Series shall be subject to mandatory redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 6.96% Series shall be 100% of the principal amount thereof, plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount

then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

If the Bonds of the 6.96% Series, or any portion thereof, are called for redemption, and payment thereof is duly provided for as specified in the Original Indenture, interest shall cease to accrue thereon or on such portion being redeemed, as the case may be, from and after the date fixed for redemption.

In all cases of redemption, notice shall be given by registered mail to the owners thereof at least twenty-five (25) days before the date fixed for redemption, all on the conditions and in the manner provided in the Indenture.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 6.96% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Original Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium, if any,

or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 6.96% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 6.96% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such

incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until First Fidelity Bank, N.A., Pennsylvania, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this 1st day of Dec, 1993.

KENTUCKY-AMERICAN WATER COMPANY

By D. L. Edgeman
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 6.96% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Thirteenth Supplemental Indenture.

FIRST FIDELITY BANK, N.A., PENNSYLVANIA
as Trustee

By _____
Authorized Officer

STATE OF KENTUCKY, COUNTY OF WOODFORD, I, CORINE C. WOOLUMS, CLERK OF WOODFORD COUNTY, HEREBY CERTIFY THAT THE FOREGOING INSTRUMENT HAS BEEN FILED IN MY OFFICE

FOR RECORD, AT 11:25 A.M., ON THE

20th DAY OF Dec., 1993
CORINE C. WOOLUMS, CLERK

BY: Corine C. Woolums D.C.

DOCUMENT NO: 51962
RECORDED ON JUNE 11, 1998 03:15:21PM
TOTAL FEES: \$54.00
COUNTY CLERK: ANITA JONES
COUNTY: CLARK COUNTY
DEPUTY CLERK: LADONNA STAMPER



This is a FOURTEENTH SUPPLEMENTAL INDENTURE, dated as of the first day of September, 1995, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIRST FIDELITY BANK, NATIONAL ASSOCIATION (formerly FIRST FIDELITY BANK, N.A., PENNSYLVANIA, formerly FIDELITY BANK, NATIONAL ASSOCIATION and formerly THE FIDELITY BANK), a national banking association with its principal place of business in Philadelphia, Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Fourteenth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, (n) an Eleventh Supplemental Indenture dated as of December 1, 1991, (o) a Twelfth Supplemental Indenture dated as of December 1, 1992, and (p) a Thirteenth Supplemental Indenture dated as of December 1, 1993, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

Return To:
Frank L. Wilford, Esq.
Stoll Keenon & Park
201 E. Main St. Suite 1000
Lexington, KY 40507

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds were outstanding when redeemed, in full, on March 1, 1993, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds were outstanding when redeemed, in full, on December 1, 1992, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$920,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on October 1, 1992, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,100,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on March 1, 1993, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds were paid and retired, in full, on December 1, 1992, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds have been redeemed as of the date hereof, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds are presently outstanding, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding, (k) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 8.36% Series, due December 1, 2001, all of which bonds are presently outstanding, (l) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 7.21% Series, due December 1, 2002, all of which bonds are presently outstanding, and (m) \$7,000,000 aggregate principal amount of General Mortgage Bonds, 6.96% Series, due December 1, 2023, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this fourteenth supplemental indenture (hereinafter

referred to as the "Fourteenth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 6.79% Series, due September 1, 2005 (hereinafter referred to as the "Bonds of the 6.79% Series" as hereinafter provided in this Fourteenth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 6.79% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$5,500,000 aggregate principal amount of Bonds of the 6.79% Series.

E. All things necessary to make the Bonds of the 6.79% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Fourteenth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Fourteenth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 6.79% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS FOURTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 6.79% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date of maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original

Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS FOURTEENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 6.79% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 6.79% Series, due September 1, 2005", herein called the "Bonds of the 6.79% Series". The following terms are hereby prescribed for the Bonds of the 6.79% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 6.79% Series dated prior to March 1, 1996, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 6.79% Series is limited to \$5,500,000.

(c) The Bonds of the 6.79% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively OR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 6.79% Series shall be due September 1, 2005.

(e) The principal of, premium, if any, and interest on the Bonds of the 6.79% Series shall be payable at the principal

office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 6.79% Series, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of payment in full of the principal thereof, to the presentation and surrender of such Bonds as provided in the Indenture.

(f) The Bonds of the 6.79% Series shall be dated as of the date of their authentication, except that if any Bond of the 6.79% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 6.79% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to March 1, 1996, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of Six and Seventy-Nine hundredths percent (6.79%) per annum, payable semiannually on the first day of March and September of each year, commencing on the first day of March, 1996. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 6.79% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 6.79% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 6.79% Series are to be redeemed the particular Bonds of the 6.79% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 6.79% Series by prorating (in the proportion that the principal amount of Bonds of the 6.79% Series held by each registered owner bears to the total

principal amount of outstanding Bonds of the 6.79% Series) the principal amount of Bonds of the 6.79% Series to be redeemed among the registered owners of Bonds of the 6.79% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 6.79% Series.

(j) The Bonds of the 6.79% Series shall not be convertible.

(k) The Bonds of the 6.79% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 6.79% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Fourteenth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 6.79% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 6.79% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in

Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 6.79% SERIES

The Bonds of the 6.79% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Fourteenth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 6.79% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 6.79% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 6.79% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 6.79% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 6.79% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 6.79% Series then outstanding, the Company shall not issue and the

Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is

determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under

the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fourteenth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Fourteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fourteenth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

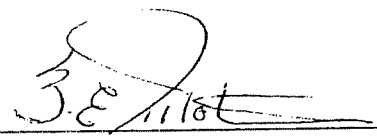
MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Fourteenth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

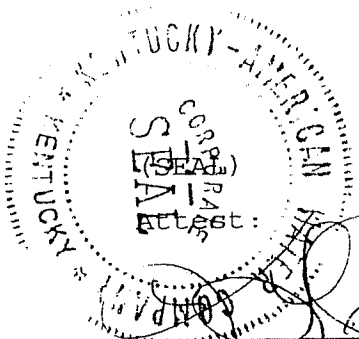
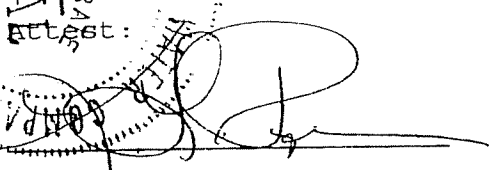
This Fourteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIRST FIDELITY BANK, NATIONAL ASSOCIATION, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by one of its Authorized Officers, all as of the day and year first above written.

KENTUCKY-AMERICAN WATER COMPANY

By 

B.E. Tillotson
Vice President
and Treasurer

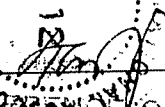


K.L. Pape
Secretary

FIRST FIDELITY BANK, NATIONAL
ASSOCIATION

By


JOHN H. CLAPHAM

Assistant Vice President

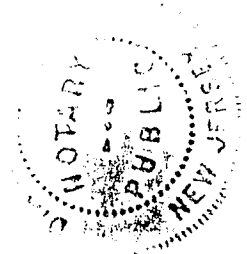
(SEAL)
FIDELITY BANK, NATIONAL ASSOCIATION
Attest:
1812

ROSEMARY C. McPOYLE
Authorized Officer

STATE OF NEW JERSEY)
) ss:
COUNTY OF BURLINGTON)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 1st day of September, 1995, by B.E. Tillotson, Vice President of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

DIANE ROULEAU
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES JUNE 22, 1999

My commission expires: _____

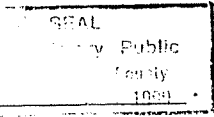


Diane Rouleau

Notary Public

COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 1st day of September, 1995, by JOHN H. CLAPHAM, Assistant Vice President of First Fidelity Bank, National Association, on behalf of the corporation.



My commission expires: _____

John Jantoni

Notary Public

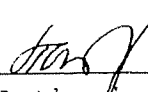


* * * * *

CERTIFICATE OF RESIDENCE

First Fidelity Bank, National Association, mortgagee and trustee within named, hereby certifies that its precise name and address are First Fidelity Bank, National Association, 123 South Broad Street, Philadelphia, Pennsylvania.

FIRST FIDELITY BANK, NATIONAL ASSOCIATION

By  _____
Authorized Officer

This Fourteenth Supplemental Indenture was prepared by:

Kathy L. Pape, Esquire
200 East Park Drive
Suite 600
Mt. Laurel, New Jersey 08054

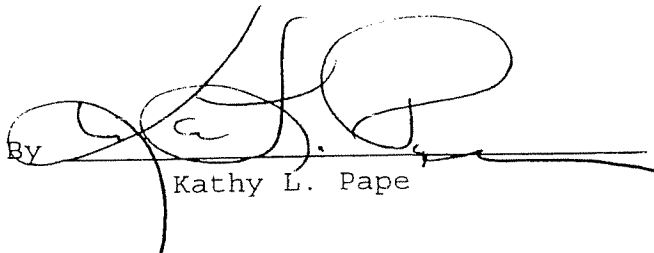
By  _____
Kathy L. Pape

EXHIBIT A

(FORM OF BOND OF 6.79% SERIES)

THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND LAWS.

No. OR-

KENTUCKY-AMERICAN WATER COMPANY

\$

GENERAL MORTGAGE BOND, 6.79% SERIES, DUE SEPTEMBER 1, 2005

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to or registered assigns, on the first day of September, 2005, at the principal office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of

Dollars (\$_____) in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to March 1, 1996, from the date hereof) until the principal hereof is paid or duly provided for, at the rate of Six and Seventy-Nine hundredths percent (6.79%) per annum, in like coin or currency, semiannually on the first day of March and the first day of September in each year, commencing on the first day of March, 1996; provided that the principal of and the premium, if any, and interest on this Bond may be paid by

agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of the payment in full of the principal of this Bond, to the presentation and surrender of the Bond as provided in the Indenture.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to First Fidelity Bank, National Association (formerly First Fidelity Bank, N.A., Pennsylvania, formerly Fidelity Bank, National Association, and formerly The Fidelity Bank), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by fourteen supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Fourteenth Supplemental Indenture dated as of September 1, 1995, between the Company and the Trustee ("Fourteenth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 6.79% Series, due September 1, 2005" (hereinafter referred to as the "Bonds of the 6.79% Series").

The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 6.79% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Original

Indenture or otherwise under the Indenture at the option of the Company.

The Bonds of the 6.79% Series shall be subject to mandatory redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 6.79% Series shall be 100% of the principal amount thereof, plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten

days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

If the Bonds of the 6.79% Series, or any portion thereof, are called for redemption, and payment thereof is duly provided for as specified in the Original Indenture, interest shall cease to accrue thereon or on such portion being redeemed, as the case may be, from and after the date fixed for redemption.

In all cases of redemption, notice shall be given by registered mail to the owners thereof at least twenty-five (25) days before the date fixed for redemption, all on the conditions and in the manner provided in the Indenture.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 6.79% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent ($66\frac{2}{3}\%$) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Original Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent ($66\frac{2}{3}\%$) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the principal office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender

hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 6.79% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 6.79% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until First Fidelity Bank, National Association, as the Trustee under the Indenture,

or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this _____ day of September, 1995.

KENTUCKY-AMERICAN WATER COMPANY

By _____
President

Attest: _____
Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 6.79% SERIES)

Trustee's Authentication Certificate


This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Fourteenth Supplemental Indenture.

FIRST FIDELITY BANK, NATIONAL
ASSOCIATION, as Trustee

By _____
Authorized Officer

MORTGAGE BOOK 2191 PAGE 48

I, Donald W Blevins, County Court Clerk
of Fayette County, Kentucky, hereby
certify that the foregoing instrument
has been duly recorded in my office.



By: Bob HOLLIDAY, dc

199509070003

September 7, 1995 08:42:33 AM


Fees	\$50.00	Tax	\$.00
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Total Paid	\$50.00
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THIS IS THE LAST PAGE OF THE DOCUMENT

23 Pages

26 - 48

DOCUMENT NO: 51963
RECORDED ON JUNE 11, 1998 03:19:27PM
TOTAL FEES: \$52.00
COUNTY CLERK: ANITA JONES
COUNTY: CLARK COUNTY
DEPUTY CLERK: LADONNA STAMPER 

This is a FIFTEENTH SUPPLEMENTAL INDENTURE, dated as of the first day of February, 1997, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIRST UNION NATIONAL BANK (formerly FIRST FIDELITY BANK, NATIONAL ASSOCIATION, formerly FIRST FIDELITY BANK, N.A., PENNSYLVANIA, formerly FIDELITY BANK, NATIONAL ASSOCIATION and formerly THE FIDELITY BANK), a national banking association having its office in the City of Philadelphia, Commonwealth of Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Fifteenth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, (n) an Eleventh Supplemental Indenture dated as of December 1, 1991, (o) a Twelfth Supplemental Indenture dated as of December 1, 1992, (p) a Thirteenth Supplemental Indenture dated as of December 1, 1993, and (q) a Fourteenth Supplemental Indenture dated as of September 1, 1995, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and

outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued. Page 476 of 520

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds were outstanding when redeemed, in full, on March 1, 1993, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds were outstanding when redeemed, in full, on December 1, 1992, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$920,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on October 1, 1992, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,100,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on March 1, 1993, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds were paid and retired, in full, on December 1, 1992, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds have been redeemed as of the date hereof, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds have been redeemed as of the date hereof, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding, (k) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 8.36% Series, due December 1, 2001, all of which bonds are presently outstanding, (l) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 7.21% Series, due December 1, 2002, all of which bonds are presently outstanding, (m) \$7,000,000 aggregate principal amount of General Mortgage Bonds, 6.96% Series, due December 1, 2023, all of which bonds are presently outstanding, and (n) \$5,500,000 aggregate principal amount of General Mortgage Bonds, 6.79% Series, due September 1, 2005, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this fifteenth supplemental indenture (hereinafter referred to as the "Fifteenth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 7.15% Series, due February 1, 2027 (hereinafter referred to as the "Bonds of the 7.15% Series" as hereinafter provided in this Fifteenth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 7.15% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$7,500,000 aggregate principal amount of Bonds of the 7.15% Series.

E. All things necessary to make the Bonds of the 7.15% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Fifteenth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Fifteenth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 7.15% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS FIFTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 7.15% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and

EXHIBIT 4
Page 478 of 520

pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and to the aforesaid property, rights and franchises and every part and parcel thereof.

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date of maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously

on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS FIFTEENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 7.15% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 7.15% Series, due February 1, 2027", herein called the "Bonds of the 7.15% Series". The following terms are hereby prescribed for the Bonds of the 7.15% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 7.15% Series dated prior to August 1, 1997, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 7.15% Series is limited to \$7,500,000.

(c) The Bonds of the 7.15% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively PR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 7.15% Series shall be due February 1, 2027.

(e) The principal of, premium, if any, and interest on the Bonds of the 7.15% Series shall be payable at the office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 7.15% Series, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of payment in full of the principal thereof, to the presentation and surrender of such Bonds as provided in the Indenture.

(f) The Bonds of the 7.15% Series shall be dated as of the date of their authentication, except that if any Bond of the 7.15% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 7.15% Series shall bear interest from the interest payment date next preceding the date of authentication (except that Bonds authenticated prior to August 1, 1997, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of seven and fifteen hundredths percent (7.15%) per annum, payable semiannually on the first day of February and August of each year, commencing on the first day of August, 1997. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 7.15% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 7.15% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 7.15% Series are to be redeemed the particular Bonds of the 7.15% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 7.15% Series by prorating (in the proportion that the principal amount of Bonds of

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the 7.15% Series held by each registered owner bears to the principal amount of outstanding Bonds of the 7.15% Series) the principal amount of Bonds of the 7.15% Series to be redeemed among the registered owners of Bonds of the 7.15% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 7.15% Series.

(j) The Bonds of the 7.15% Series shall not be convertible.

(k) The Bonds of the 7.15% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 7.15% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, then payment of interest or principal need not be made on such date, but may be made on the next succeeding business day not a Saturday, Sunday or a legal holiday or a day upon which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Fifteenth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 7.15% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 7.15% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth

in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 7.15% SERIES

The Bonds of the 7.15% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Fifteenth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 7.15% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 7.15% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 7.15% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred upon persons other than the registered owners of the Bonds of the 7.15% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 7.15% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 7.15% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03

or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance

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with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate bonds under the provisions of the Indenture in connection with

exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Fifteenth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Fifteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fifteenth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

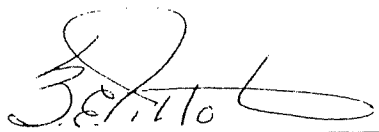
For all purposes hereof, all terms contained in this Fifteenth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Fifteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIRST UNION NATIONAL BANK, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by one of its Authorized Officers, all as of the day and year first above written.

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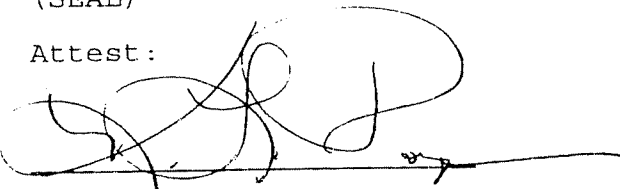
KENTUCKY-AMERICAN WATER COMPANY

By: 

B.E. Tillotson
Vice President and Treasurer

(SEAL)

Attest:



K.L. Pape
Secretary

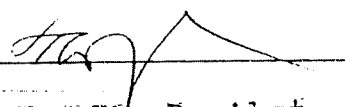
FIRST UNION NATIONAL BANK

By: 

Its: Vice President

(SEAL)

Attest:


Assistant Vice President
Authorized Officer

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STATE OF NEW JERSEY)
) ss:
COUNTY OF CAMDEN)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this 3rd day of February, 1997, by B.E. Tillotson, Vice President and Treasurer of Kentucky-American Water Company, a Kentucky corporation, on behalf of the corporation.

DIANE ROULEAU
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES JUNE 22 1999

My commission expires: _____

[Signature]
Notary Public

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COMMONWEALTH OF PENNSYLVANIA)
COUNTY OF PHILADELPHIA)

The foregoing instrument was acknowledged before me in the aforesaid jurisdiction this _____ day of _____, 1997, by JOHN W. [Signature] of First Union National Bank, on behalf of the corporation.

NOTARIAL SEAL
JOANN FANTINI, Notary Public
City of Philadelphia, Phila. County
My Commission Expires July 26, 1999

My commission expires: _____

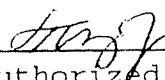
[Signature]
Notary Public

* * * * *

CERTIFICATE OF RESIDENCE

First Union National Bank, mortgagee and trustee within named, hereby certifies that its precise name and address are First Union National Bank, 123 South Broad Street, Philadelphia, Pennsylvania.

FIRST UNION NATIONAL BANK

By:  _____
Authorized Officer

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This Fifteenth Supplemental
Indenture was prepared by:

Kathy L. Pape, Esquire
1025 Laurel Oak Road
Voorhees, New Jersey 08043

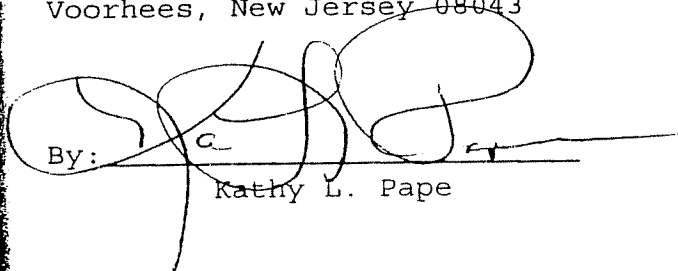
By:  _____
Kathy L. Pape

EXHIBIT A

(FORM OF BOND OF 7.15% SERIES)

THIS BOND HAS NOT BEEN REGISTERED OR QUALIFIED FOR SALE UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT AND LAWS.

No.PR-

KENTUCKY-AMERICAN WATER COMPANY

\$

GENERAL MORTGAGE BOND, 7.15% SERIES, DUE FEBRUARY 1, 2027

KENTUCKY-AMERICAN WATER COMPANY, a corporation organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company", which term shall include any successor corporation as defined in the Indenture hereinafter referred to), for value received, hereby promises to pay to

or registered assigns, on the first day of February, 2027, at the office of the Trustee, hereinafter named, in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), the sum of

Dollars (\$ _____) in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and to pay interest thereon to the registered owner hereof, at said office, from the interest payment date next preceding the date of this Bond (or, if this Bond be dated prior to August 1, 1997, from the date hereof) until the principal hereof is paid or duly provided for, at the rate of seven and fifteen hundredths percent (7.15%) per annum,

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in like coin or currency, semiannually on the first day of February and the first day of August in each year, commencing on the first day of August, 1997; provided that the principal of and the premium, if any, and interest on this Bond may be paid by agreement of the Company with the registered owner of this Bond, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of the payment in full of the principal of this Bond, to the presentation and surrender of the Bond as provided in the Indenture.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to First Union National Bank (formerly First Fidelity Bank, National Association, formerly First Fidelity Bank, N.A., Pennsylvania, formerly Fidelity Bank, National Association, and formerly The Fidelity Bank), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by fifteen supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Fifteenth Supplemental Indenture dated as of February 1, 1997, between the Company and the Trustee ("Fifteenth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 7.15% Series, due February 1, 2027" (hereinafter referred to as the "Bonds of the 7.15% Series").

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The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the

Indenture.

The Bonds of the 7.15% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Original Indenture or otherwise under the Indenture at the option of the Company, except as hereinafter in the following four paragraphs of this bond expressly provided.

The Bonds of the 7.15% Series are subject to redemption, in whole at any time or in part on any interest payment date, at the option of the Company at the redemption price equal to the principal amount of the Bonds of the 7.15% Series, or portions thereof to be redeemed, together with interest accrued on such Bonds to the date fixed for their redemption plus a premium equal to the "Make-Whole Premium" (defined below) determined three (3) business days prior to the date fixed for their redemption. The Company will furnish notice to the Trustee and each holder of the Bonds of the 7.15% Series (by telecopy or other same-day written communication confirmed by the recipient, on a date at least two (2) business days prior to the date fixed for redemption of the Bonds of the 7.15% Series) of the premium, if any, applicable to such redemption and the calculations, in reasonable detail, used to determine the amount of any such premium.

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"Make-Whole Premium" shall mean, in connection with any redemption, the excess, if any, of (i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate from the respective dates on which they would have been payable, over (ii) 100% of the principal amount of the outstanding Bonds of the 7.15% Series being redeemed. If the Reinvestment Rate is equal to or higher than 7.15%, the Make-Whole Premium shall be zero.

"Reinvestment Rate" shall mean the sum of (i) 0.50% plus (ii) the yield on actively traded United States Treasury securities having a maturity (rounded to the nearest month) corresponding to the remaining term of the Bonds of the 7.15% Series (a) as reported on page "USD" of the Bloomberg Financial Markets Services Screen or, if not available, (b) any other nationally

recognized trading screen reporting on-line intraday trading in United States Treasury securities, in either case at 11:00 a.m. (New York time) on the fifth business day prior to the date fixed for redemption (the "Determination Date"), or in the event that no such nationally recognized trading screen reporting on-line intraday trading in United States Treasury securities is available, (c) as determined by reference to such other publicly available source of similar market data (published on the date most recently preceding the Determination Date) which shall be designated by the holders of 66-2/3% in aggregate principal amount of the outstanding Bonds of the 7.15% Series. If no maturity exactly corresponds to such remaining term of the Bonds of the 7.15% Series, yields for the two maturities most closely corresponding to such remaining term of the Bonds of the 7.15% Series shall be determined pursuant to clause (ii) of the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

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The Bonds of the 7.15% Series shall be subject to mandatory redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 7.15% Series shall be 100% of the principal amount thereof, plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates

applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

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If the Bonds of the 7.15% Series, or any portion thereof, are called for redemption, and payment thereof is duly provided for as specified in the Original Indenture, interest shall cease to accrue thereon or on such portion being redeemed, as the case may be, from and after the date fixed for redemption.

In all cases of redemption, notice shall be given by registered mail to the owners thereof at least twenty-five (25) days before the date fixed for redemption, all on the conditions and in the manner provided in the Indenture.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture

provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 7.15% Series, subject to the conditions and in the manner provided in the Indenture.

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To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Original Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written

consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 7.15% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 7.15% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future

stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

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This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until First Union National Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

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IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this _____ day of February, 1997.

KENTUCKY-AMERICAN WATER COMPANY

By: _____
Vice President and Treasurer

Attest:

Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 7.15% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Fifteenth Supplemental Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

By: _____
Authorized Officer

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This is a SIXTEENTH SUPPLEMENTAL INDENTURE, dated as of the first day of June, 1998, and made by and between KENTUCKY-AMERICAN WATER COMPANY, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (hereinafter called the "Company"), and FIRST UNION NATIONAL BANK (formerly FIRST FIDELITY BANK, NATIONAL ASSOCIATION, formerly FIRST FIDELITY BANK, N.A., PENNSYLVANIA, formerly FIDELITY BANK, NATIONAL ASSOCIATION and formerly THE FIDELITY BANK), a national banking association having its office in the City of Philadelphia, Commonwealth of Pennsylvania (hereinafter called the "Trustee").

RECITALS

The background of this Sixteenth Supplemental Indenture is:

A. The Company has heretofore executed and delivered to the Trustee (a) its Indenture of Mortgage dated as of May 1, 1968 (hereinafter referred to as the "Original Indenture"), (b) a First Supplemental Indenture dated as of December 1, 1970, (c) a Supplement to the First Supplemental Indenture dated as of December 17, 1970, (d) a Second Supplemental Indenture dated as of September 1, 1974, (e) a Third Supplemental Indenture dated as of November 1, 1977, (f) a Fourth Supplemental Indenture dated as of December 1, 1982, (g) a Fifth Supplemental Indenture dated as of June 1, 1983, (h) a Sixth Supplemental Indenture dated as of August 1, 1985, (i) a Seventh Supplemental Indenture dated as of January 1, 1987, (j) an Eighth Supplemental Indenture dated as of September 1, 1988, (k) a Ninth Supplemental Indenture dated as of October 1, 1989, (l) a Tenth Supplemental Indenture dated as of November 1, 1990, (m) an Amended and Restated Tenth Supplemental Indenture dated as of November 1, 1990, (n) an Eleventh Supplemental Indenture dated as of December 1, 1991, (o) a Twelfth Supplemental Indenture dated as of December 1, 1992, (p) a Thirteenth Supplemental Indenture dated as of December 1, 1993, (q) a Fourteenth Supplemental Indenture dated as of September 1, 1995, and (r) a Fifteenth Supplemental Indenture dated as of February 1, 1997, the Original Indenture and any and all indentures supplemental thereto being referred to hereinafter as the "Indenture", to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding thereunder and to declare the terms and conditions upon which such bonds may be issued.

B. The Company has heretofore executed, issued and delivered and the Trustee has authenticated and delivered under the

Indenture (a) \$4,300,000 aggregate principal amount of General Mortgage Bonds, 7-3/8% Series, due July 1, 1993, all of which bonds were outstanding when redeemed, in full, on March 1, 1993, (b) \$2,100,000 aggregate principal amount of General Mortgage Bonds, 10% Series, due December 1, 1995, all of which bonds were outstanding when redeemed, in full, on December 1, 1992, (c) \$2,000,000 aggregate principal amount of General Mortgage Bonds, 9-7/8% Series, due September 1, 1999, \$920,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on October 1, 1992, (d) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 8-1/2% Series, due November 1, 1997, \$2,100,000 aggregate principal amount of which bonds were outstanding when redeemed, in full, on March 1, 1993, (e) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 14% Series, due December 1, 1992, all of which bonds were paid and retired, in full, on December 1, 1992, (f) \$3,000,000 aggregate principal amount of General Mortgage Bonds, 10-7/8% Series, due September 1, 1995, all of which bonds have been redeemed as of the date hereof, (g) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 8.55% Series, due February 1, 1997, all of which bonds have been redeemed as of the date hereof, (h) \$6,000,000 aggregate principal amount of General Mortgage Bonds, 9.71% Series, due September 1, 1998, all of which bonds are presently outstanding, (i) \$8,000,000 aggregate principal amount of General Mortgage Bonds, 9.37% Series, due November 1, 2019, all of which bonds are presently outstanding, (j) \$4,000,000 aggregate principal amount of General Mortgage Bonds, 9.83% Series, due November 1, 2000, all of which bonds are presently outstanding, (k) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 8.36% Series, due December 1, 2001, all of which bonds are presently outstanding, (l) \$13,000,000 aggregate principal amount of General Mortgage Bonds, 7.21% Series, due December 1, 2002, all of which bonds are presently outstanding, (m) \$7,000,000 aggregate principal amount of General Mortgage Bonds, 6.96% Series, due December 1, 2023, all of which bonds are presently outstanding, (n) \$5,500,000 aggregate principal amount of General Mortgage Bonds, 6.79% Series, due September 1, 2005, and (o) \$7,500,000 aggregate principal amount of General Mortgage Bonds, 7.15% Series, due February 1, 2027, all of which bonds are presently outstanding.

C. The Company, in the exercise of the powers and authority conferred upon or reserved to it by the provisions of the Indenture and pursuant to appropriate resolutions of its Board of Directors, has duly resolved and determined to make, execute and deliver to the Trustee this sixteenth supplemental indenture (hereinafter referred to as the "Sixteenth Supplemental Indenture") in order to create and provide for the issue of a new series of bonds to be denominated General Mortgage Bonds, 6.99%

Series, due June 1, 2028 (hereinafter referred to as the "Bonds of the 6.99% Series" as hereinafter provided in this Sixteenth Supplemental Indenture and in the form of Bond attached hereto as Exhibit A) and to prescribe with respect to the Bonds of the 6.99% Series certain particulars as required by paragraph 2 of Section 2.03 of the Original Indenture, as amended.

D. The Company proposes to procure the authentication and delivery of an issue of \$9,000,000 aggregate principal amount of Bonds of the 6.99% Series.

E. All things necessary to make the Bonds of the 6.99% Series, when duly executed by the Company and authenticated and delivered by the Trustee and issued by the Company as provided in this Sixteenth Supplemental Indenture, the valid, binding and legal obligations of the Company, entitled to the benefits and security of the Indenture, and to make this Sixteenth Supplemental Indenture a valid, binding and legal instrument in accordance with its terms, have been done and performed, and the issue hereunder of the Bonds of the 6.99% Series has in all respects been duly authorized.

NOW, THEREFORE, THIS SIXTEENTH SUPPLEMENTAL INDENTURE WITNESSETH that the Company, in consideration of the premises and of the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance by the registered owners thereof of the Bonds of the 6.99% Series as may be issued under the Indenture, and of One Dollar to it duly paid by the Trustee at or before the ensealing and delivery of these presents, the receipt whereof is hereby acknowledged, and in order further to secure the payment of the principal of, premium, if any, and interest on all bonds at any time issued and outstanding under the Indenture, according to their tenor and effect and the performance and observance by the Company of all the covenants and conditions in such bonds and in the Indenture contained, and intending to be legally bound, does hereby ratify and confirm its mortgage and pledge to the Trustee of all property described in the granting clauses of the Indenture (except such thereof as may heretofore have been released from the lien of the Indenture in accordance with the terms thereof).

TOGETHER WITH all and singular the tenements, hereditaments and appurtenances belonging or in any wise appertaining to the aforesaid property, rights and franchises, or any part thereof, with the reversion and reversions, remainder and remainders, and to the extent permitted by law, all tolls, rents, revenues, issues, income, product and profits thereof, and all the estate, right, title, interest and claim whatsoever, at law as well as in equity, which the Company now has or may hereafter acquire in and

to the aforesaid property, rights and franchises and every part and parcel thereof. Page 502 of 520

SAVING AND EXCEPTING, HOWEVER, from the property hereby mortgaged and pledged all of the property of every kind and type saved and excepted from the Original Indenture, as amended, by the terms thereof.

SUBJECT, HOWEVER, to the exceptions, reservations and matters of the kind and type recited and defined in Article XVI of the Original Indenture, as amended.

TO HAVE AND TO HOLD all said premises, property, assets, rights and franchises granted, bargained, sold, released, conveyed, transferred, assigned, mortgaged, pledged, set over or confirmed by the Company as aforesaid or intended so to be unto the Trustee and its successors in the trust, and to them and their assigns forever.

IN TRUST, NEVERTHELESS, upon the terms and trusts set forth in the Original Indenture, as amended, for the equal and proportionate benefit and security of those who shall own the bonds issued and to be issued under the Indenture or any of them, without preference, priority or distinction of any of said bonds over any others thereof by reason of priority in the time of the issue or negotiation thereof or by reason of the date of maturity thereof, or for any other reason whatsoever, so that all bonds at any time issued and outstanding under the Indenture shall have the same right, lien and preference under and by virtue thereof, and shall all be equally secured thereby, with like effect as if they had all been executed, authenticated and delivered simultaneously on the date of the Original Indenture; provided that the bonds of different series may contain different terms and conditions than the bonds of other series in the respects set forth in Section 1.03 of the Original Indenture, as amended; and provided, further, that the Company may in any indenture supplemental to the Original Indenture, as amended, add to the conditions, limitations, restrictions, covenants and agreements of the Original Indenture, as amended, in the manner set forth in clauses (a) and (b) of Section 12.01 thereof, for the sole benefit of any one or more series of bonds.

AND THIS SIXTEENTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH that the Company, for itself and its successors, does hereby covenant and agree to and with the Trustee and its successors in the trust, for the benefit of those who shall own said bonds or any of them, as follows:

PART I

GENERAL MORTGAGE BONDS, 6.99% SERIES

SECTION 1. A series of bonds to be issued under the Indenture and secured thereby is hereby created which shall be designated as, and shall be distinguished from the bonds of all other series by the title, "General Mortgage Bonds, 6.99% Series, due June 1, 2028", herein called the "Bonds of the 6.99% Series". The following terms are hereby prescribed for the Bonds of the 6.99% Series, in accordance with paragraph 2 of Section 2.03 of the Original Indenture, as amended:

(a) Every Bond of the 6.99% Series dated prior to December 31, 1998, the first interest payment date for such Bonds, shall bear interest from the date of such Bond.

(b) The aggregate principal amount of the Bonds of the 6.99% Series is limited to \$9,000,000.

(c) The Bonds of the 6.99% Series shall be issuable in denominations of One Thousand Dollars (\$1,000) and any multiple thereof, shall be numbered consecutively PR-1 and upwards, and shall all be registered bonds without coupons.

(d) All Bonds of the 6.99% Series shall be due June 1, 2028.

(e) The principal of, premium, if any, and interest on the Bonds of the 6.99% Series shall be payable at the office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), in coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, provided that the principal of and the premium, if any, and interest on such Bonds may be paid by agreement of the Company with the registered owner of the Bonds of the 6.99% Series, by check mailed or bank wire transfer of Federal or other immediately available funds to the person entitled thereto at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of payment in full of the principal thereof, to the presentation and surrender of such Bonds as provided in the Indenture.

(f) The Bonds of the 6.99% Series shall be dated as of the date of their authentication, except that if any Bond of the 6.99% Series shall be authenticated on any interest payment date it shall be dated as of the day next following such interest payment date. All Bonds of the 6.99% Series shall bear interest from the interest payment date next preceding the date of

authentication (except that Bonds authenticated prior to December 1, 1998, shall bear interest from the date of authentication) until the principal thereof is paid or duly provided for, at the rate of six and ninety-nine hundredths percent (6.99%) per annum, payable semiannually on the first day of June and December of each year. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

(g) The Bonds of the 6.99% Series shall not contain any provisions as to the payment of principal or interest without deduction for, or as to reimbursement of, taxes.

(h) The Bonds of the 6.99% Series shall be redeemable at the price and on the conditions stated in the form of Bond set forth in Exhibit A hereto, any such redemption to be effected in accordance with the provisions of Article IV of the Original Indenture, as amended, except that if less than all of the Bonds of the 6.99% Series are to be redeemed the particular Bonds of the 6.99% Series (or portion thereof) to be redeemed shall be selected by the Trustee from the outstanding Bonds of the 6.99% Series by prorating (in the proportion that the principal amount of Bonds of the 6.99% Series held by each registered owner bears to the total principal amount of outstanding Bonds of the 6.99% Series) the principal amount of Bonds of the 6.99% Series to be redeemed among the registered owners of Bonds of the 6.99% Series. In any proration pursuant to this Section, the Trustee shall make such adjustments, reallocations and eliminations as it shall deem proper to the end that the principal amount of Bonds so prorated shall be \$1,000 or a multiple thereof, by increasing or decreasing or eliminating the amount which would be allocable to any registered owner on the basis of exact proration by an amount not exceeding \$1,000.

(i) There shall not be any sinking, purchase or analogous fund for the retirement of Bonds of the 6.99% Series.

(j) The Bonds of the 6.99% Series shall not be convertible.

(k) The Bonds of the 6.99% Series shall be exchangeable only as provided in the Original Indenture, as amended.

(l) In the event that an interest payment date or a date fixed for redemption of any Bond of the 6.99% Series shall be a Saturday, Sunday or a legal holiday or a day on which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, then payment of interest or principal need not be made on such date, but may be

made on the next succeeding business day not a Saturday, Sunday, or a legal holiday or a day upon which banking institutions in either the City from where the payment is to be made or the City at which the payment is to be received, or in both such Cities, are authorized by law to close, with the same force and effect as if made on the date of maturity, the interest payment date, or the date fixed for redemption.

(m) Except as hereinafter provided in Part III of this Sixteenth Supplemental Indenture, there are no provisions or agreements in respect of the Bonds of the 6.99% Series which are for the sole benefit of the holders thereof.

(n) The text of the Bonds of the 6.99% Series and of the authentication certificate of the Trustee upon such bonds shall be, respectively, substantially of the tenor and effect set forth in Exhibit A hereto.

PART II

ISSUANCE OF BONDS OF THE 6.99% SERIES

The Bonds of the 6.99% Series may be executed by the Company and delivered to the Trustee for authentication and shall be authenticated and delivered by the Trustee to or upon the order of the Company (which authentication and delivery may be made without awaiting the filing or recording of this Sixteenth Supplemental Indenture), upon receipt by the Trustee of the resolutions, certificates, orders, opinions and other instruments required by the provisions of Sections 2.03 and 2.04 of the Original Indenture, as amended, to be received by the Trustee as a condition to the authentication and delivery of bonds.

PART III

COVENANTS WITH RESPECT TO BONDS OF THE 6.99% SERIES

SECTION 1. EXCLUSIVE BENEFIT COVENANTS. The covenant contained in Section 2 of this Part III is solely for the protection and benefit of the registered owners of the Bonds of the 6.99% Series and is therefore an Exclusive Benefit Covenant as defined in the Original Indenture, as amended, and the exclusive right to (i) require the Trustee to declare a default under, (ii) waive a default under, (iii) waive compliance with, or (iv) amend such Exclusive Benefit Covenant shall be vested solely in the registered owners of a majority in principal amount of the Bonds of the 6.99% Series then outstanding. No benefits by reason of such Exclusive Benefit Covenant shall be deemed to be conferred

upon persons other than the registered owners of the Bonds of Page 6.99% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 6.99% Series a outstanding, without the consent of the registered owners of least a majority in principal amount of the Bonds of the 6.9 Series then outstanding, the Company shall not issue and t Trustee shall not authenticate additional bonds under Section 2. or Section 2.04 of the Original Indenture, as amended, unless t net income of the Company has been equal to at least one a one-half times the aggregate annual interest charges on all L Term Debt (as defined in the Indenture) outstanding immediat after such bonds are issued. The Company shall meet t requirements of this Section 2 by delivering to the Trust (together with the resolutions, opinions, certificates a instruments provided for in Section 2.03 and Section 2.04) "Certificate of Required Net Income for Debt" which shall state hereinafter provided, for a period of twelve consecutive calen months within the fifteen calendar months immediately precedi the first day of the month in which the additional bonds are to authenticated by the Trustee has been equal to at least one one-half times the aggregate annual interest charges on all L Term Debt of the Company to be outstanding immediately after s bonds are issued; provided, however, that in all calculations such net income effect shall be given to the issue or retirem of any indebtedness that will be accomplished prior to or on t date of such issue and there shall be excepted from such Long T Debt any portion thereof for the payment or redemption of wh moneys in the necessary amounts have been irrevocably set aside the Company or deposited with the Trustee or other holder o mortgage or other lien securing any such Long Term Debt. Certificate of Required Net Income for Debt shall be signed by President or Vice President and by the Treasurer or the Assist Treasurer of the Company and shall set forth the amount of the income of the Company for such twelve-month period, shall item by issue and series the Long Term Debt so to be outstanding state the aggregate principal amount of each such issue and ser and the interest charges thereon for a period of one year. shall show the method of calculation of such net income to be follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses

upon persons other than the registered owners of the Bonds of the 6.99% Series, the Trustee and the Company.

SECTION 2. COVENANTS WITH RESPECT TO ISSUANCE OF ADDITIONAL BONDS.

(a) So long as any of the Bonds of the 6.99% Series are outstanding, without the consent of the registered owners of at least a majority in principal amount of the Bonds of the 6.99% Series then outstanding, the Company shall not issue and the Trustee shall not authenticate additional bonds under Section 2.03 or Section 2.04 of the Original Indenture, as amended, unless the net income of the Company has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt (as defined in the Indenture) outstanding immediately after such bonds are issued. The Company shall meet the requirements of this Section 2 by delivering to the Trustee (together with the resolutions, opinions, certificates and instruments provided for in Section 2.03 and Section 2.04) a "Certificate of Required Net Income for Debt" which shall state in substance that the net income of the Company, calculated as hereinafter provided, for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding the first day of the month in which the additional bonds are to be authenticated by the Trustee has been equal to at least one and one-half times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after such bonds are issued; provided, however, that in all calculations of such net income effect shall be given to the issue or retirement of any indebtedness that will be accomplished prior to or on the date of such issue and there shall be excepted from such Long Term Debt any portion thereof for the payment or redemption of which moneys in the necessary amounts have been irrevocably set aside by the Company or deposited with the Trustee or other holder of a mortgage or other lien securing any such Long Term Debt. The Certificate of Required Net Income for Debt shall be signed by the President or Vice President and by the Treasurer or the Assistant Treasurer of the Company and shall set forth the amount of the net income of the Company for such twelve-month period, shall itemize by issue and series the Long Term Debt so to be outstanding and state the aggregate principal amount of each such issue and series and the interest charges thereon for a period of one year. It shall show the method of calculation of such net income to be as follows:

From the total revenues of the Company (except amortization of premium on debt), whether credited to surplus or otherwise, of the Company, from all sources (which shall not include income or losses

from the sale of capital assets but shall include as a credit interest charged to construction) for the period in question, there shall be deducted all operating and nonoperating expenses and charges, including maintenance and depreciation as is determined by its Board of Directors in accordance with established practice of the Company, taxes (except as hereinafter provided) and rentals paid or accrued in respect of the properties, license fees and franchise taxes paid or accrued and taxes based upon gross income, gross revenues or gross receipts, but excluding from such deductions Federal and State taxes based on net income paid or accrued, interest charges on indebtedness of the Company, amortization of debt discount and expense, write-downs of property, or other adjustments, and similar items. Any increase or decrease in gross revenues of the Company attributable to higher or lower rates that have been in effect for less than the full twelve-month period on which such calculation is based shall be annualized, and there shall also be annualized such related fixed expenses and charges as are known to the principal officers of the Company.

In case, within or after the period for which the computation of net income of the Company is made, the Company shall have acquired any property (including an acquisition by merger), such acquired property may be treated as having been owned by the Company for the whole of such period of computation and the net income thereof for such period may, at the option of the Company, be included in the net income of the Company, and there shall be excluded, in computing such net income, an amount equal to the net income estimated by the Company to be applicable to any property sold or disposed of by the Company after the beginning of such period of computation.

(b) For the purposes of this Section 2, all determinations of net income shall be made in accordance with the rules and regulations of any governmental body or agency under the jurisdiction of which the Company may be operating, or if there be no such agency or no such rules or regulations, then in accordance with generally accepted accounting principles.

(c) The provisions of this Section 2 shall not limit the power of the Company to issue nor the Trustee to authenticate

bonds under the provisions of the Indenture in connection with exchanges and transfers.

PART IV

THE TRUSTEE

The Trustee hereby accepts the trusts hereunder and agrees to perform the same, but only upon the terms and conditions set forth in the Original Indenture, as amended, and upon the following terms and conditions:

The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Sixteenth Supplemental Indenture or the due execution hereof by the Company or for or in respect to the recitals herein contained, all of which recitals are made by the Company solely. In general, each and every term and condition contained in Article XI of the Original Indenture, as amended, shall apply to this Sixteenth Supplemental Indenture with the same force and effect as if the same were herein set forth in full, with such amendments, omissions, variations and modifications thereof as may be appropriate to make the same conform to this Sixteenth Supplemental Indenture.

PART V

REAFFIRMATION OF INDENTURE

The covenants, agreements, conditions, limitations and restrictions in the Indenture are hereby reaffirmed to the same extent as if they were herein set forth in full, except insofar as any of the provisions thereof may be inconsistent with any of the provisions herein and to the extent of such inconsistency, the provisions herein contained shall prevail.

PART VI

MISCELLANEOUS PROVISIONS

For all purposes hereof, all terms contained in this Sixteenth Supplemental Indenture shall, except as the context may otherwise require or as provided herein, have the meanings given to such terms in the Original Indenture, as amended.

This Sixteenth Supplemental Indenture may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused these presents to be signed in its corporate name by its President or one of its Vice Presidents and sealed with its corporate seal attested by its Secretary or one of its Assistant Secretaries, and FIRST UNION NATIONAL BANK, has caused these presents to be signed in its corporate name by one of its Vice Presidents or one of its Assistant Vice Presidents and sealed with its corporate seal attested by one of its Authorized Officers, all as of the day and year first above written.



KENTUCKY-AMERICAN WATER COMPANY

By: _____
Coleman D. Bush
Vice President and Treasurer

(SEAL)

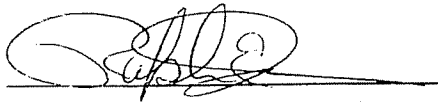
Attest:

Herbert A. Miller, Jr.
Secretary

By: 
Its: 
View President

(SEAL)

Attest:



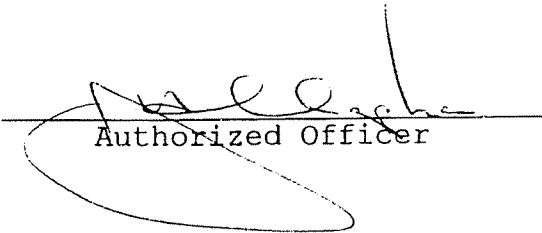
RALPH E. JONES
Authorized Officer

CERTIFICATE OF RESIDENCE

First Union National Bank, mortgagee and trustee within named, hereby certifies that its precise name and address are First Union National Bank, 123 South Broad Street, Philadelphia, Pennsylvania.

FIRST UNION NATIONAL BANK

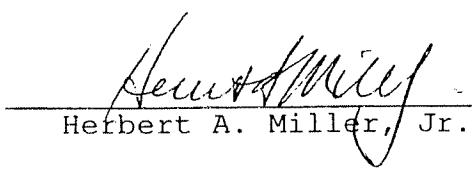
By: _____


Authorized Officer

This Sixteenth Supplemental
Indenture was prepared by:

Herbert A. Miller, Jr., Esquire
2300 Richmond Road
Lexington, Kentucky 40502

By: _____


Herbert A. Miller, Jr.

at his banking address last appearing upon the transfer register or registers of the Company, subject, in the case of the payment in full of the principal of this Bond, to the presentation and surrender of the Bond as provided in the Indenture.

This Bond is one of an authorized issue of bonds of the Company known as its General Mortgage Bonds, not limited in aggregate principal amount except as provided in the Indenture hereinafter mentioned, all issued and to be issued in one or more series under and equally secured by an indenture of mortgage (hereinafter called the "Original Indenture"), executed by the Company to First Union National Bank (formerly First Fidelity Bank, National Association, formerly First Fidelity Bank, N.A., Pennsylvania, formerly Fidelity Bank, National Association, and formerly The Fidelity Bank), as Trustee, dated as of May 1, 1968 as heretofore amended and supplemented by fifteen supplemental indentures, the Original Indenture as so amended and supplemented being hereinafter called the "Indenture", to which Original Indenture and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the terms and conditions upon which the bonds are, and are to be, secured, and the rights of the registered owners thereof and of the Trustee in respect of such security. As provided in the Indenture, said bonds may be issued in series for various principal sums, may bear different dates and mature at different times, may bear interest at different rates, and may otherwise vary as in the Indenture provided or permitted. This Bond is one of the bonds described in the Sixteenth Supplemental Indenture dated as of June 1, 1998, between the Company and the Trustee ("Sixteenth Supplemental Indenture") and designated therein as "General Mortgage Bonds, 6.99% Series, due June 1, 2028" (hereinafter referred to as the "Bonds of the 6.99% Series").

The lien of the Indenture on the property of the Company is subject to the Permitted Encumbrances as defined in the Indenture.

The Bonds of the 6.99% Series are not subject to redemption pursuant to Section 6.03 or Section 6.04 of the Original Indenture or otherwise under the Indenture at the option of the Company, except as hereinafter in the following four paragraphs of this bond expressly provided. The bonds of the 6.99% Series are subject to redemption, in whole at any time or in part on any interest payment date, at the option of the Company at the redemption price equal to the principal amount of the bonds of the 6.99% Series, or portions thereof to be redeemed, together with interest accrued on such bonds to the date fixed for their

redemption plus a premium equal to the "Make-Whole Premium" (defined below) determined three (3) business days prior to the date fixed for their redemption. The Company will furnish notice to the Trustee and each holder of the bonds of the 6.99% Series (by telecopy or other same-day written communication confirmed by the recipient, on a date at least two (2) business days prior to the date fixed for redemption of the bonds of the 6.99% Series) of the premium, if any, applicable to such redemption and the calculations, in reasonable detail, used to determine the amount of any such premium.

"Make-Whole Premium" shall mean, in connection with any redemption, the excess, if any, of (i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of such dollar if such redemption had not been made, determined by discounting such amounts at the Reinvestment Rate from the respective dates on which they would have been payable, over (ii) 100% of the principal amount of the outstanding bonds of the 6.99% Series being redeemed. If the Reinvestment Rate is equal to or higher than 6.99%, the Make-Whole Premium shall be zero.

"Reinvestment Rate" shall mean the sum of (i) 0.25% plus (ii) the yield on actively traded United States Treasury securities having a maturity (rounded to the nearest month) corresponding to the remaining term of the bonds of the 6.99% Series (a) as reported on page "USD" of the Bloomberg Financial Markets Services Screen or, if not available, (b) any other nationally recognized trading screen reporting on-line intraday trading in United States Treasury securities, in either case at 11:00 a.m. (New York time) on the fifth business day prior to the date fixed for redemption (the "Determination Date") or in the event that no such nationally recognized trading screen reporting on-line intraday trading in United States Treasury securities is available, (c) as determined by reference to such other publicly available source of similar market data (published on the date most recently preceding the Determination Date) which shall be designated by the holders of 66-2/3% in aggregate principal amount of the outstanding bonds of the 6.99% Series. If no maturity exactly corresponds to such remaining term of the bonds of the 6.99% Series, yields for the two maturities most closely corresponding to such remaining term of the bonds of the 6.99% Series shall be determined pursuant to clause (ii) of the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month.

The Bonds of the 6.99% Series shall be subject to mandatory

redemption at any time in the event that all or substantially all of the property of the Company at the time subject to the lien of the Indenture, or all or substantially all of the property of the Company at the time so subject to such lien which is used or useful in connection with its utility business as defined in the Indenture, shall be released from the lien of the Indenture under the provisions of Section 5.03 or Section 5.06 thereof. The award or consideration received by the Trustee for such property (together with any other moneys held by the Trustee under the Indenture) shall be applied by the Trustee to the redemption in full of all bonds then outstanding under the Indenture, any moneys held for the account of any particular bonds being applied to the redemption (or payment, if matured) of such bonds. In any such event, the redemption price of the Bonds of the 6.99% Series shall be 100% of the principal amount thereof, plus all interest accrued and unpaid thereon to the date fixed for redemption. If the moneys then in the hands of the Trustee available for such purpose shall not be sufficient for such redemption in full, the Company shall deposit with the Trustee on or before the date fixed for redemption an amount sufficient to enable the Trustee to pay the full redemption prices of the bonds at the rate or rates applicable, together with interest accrued to such date and all expenses in connection with such redemption. If the Company shall default in its obligation to deposit any such amount with the Trustee, the moneys in the hands of the Trustee available for such purpose (together with any moneys thereafter received) shall be applied by the Trustee to the partial payment of all bonds then outstanding under the Indenture, pro rata in proportion to the respective amounts then due and owing thereon for principal, premium, if any, and interest but, until the full amount then due and owing on the bonds shall have been paid, no such partial payment shall discharge the obligation of the Company on any bond except to the extent of such partial payment. Notice of any such partial pro rata payment shall be given once by the Trustee to the registered owners of the bonds within one week after the date for which the bonds were called for redemption, and from and after a date to be specified in such notice (to be not earlier than the date upon which such notice is given nor later than ten days after such redemption date) interest shall cease to accrue on the obligation of the Company on the bonds so called for redemption to the extent of the partial payment so provided. Subsequently, if any additional moneys applicable to an additional partial payment or to the payment of the entire balance then due on the bonds shall be received by the Trustee, the Trustee shall, with reasonable promptness, give like notice of any such payment (specifying a date within ten days after the date of such notice) with like effect.

If the Bonds of the 6.99% Series, or any portion thereof, are called for redemption, and payment thereof is duly provided for as specified in the Original Indenture, interest shall cease to accrue thereon or on such portion being redeemed, as the case may be, from and after the date fixed for redemption.

In all cases of redemption, notice shall be given by registered mail to the owners thereof at least twenty-five (25) days before the date fixed for redemption, all on the conditions and in the manner provided in the Indenture.

The principal of this Bond may be declared or may become due prior to its maturity date, in the manner and with the effect and subject to the conditions provided in the Indenture, upon the happening of an event of default as in the Indenture provided; subject, however, to the right, under certain circumstances, of the registered owners of a majority in principal amount of the bonds then outstanding (or, if such event of default be a default in the payment of any principal of, premium, if any, or interest on the bonds of any particular series, the registered owners of a majority in principal amount of the bonds of such series then outstanding) to annul such declaration.

In case the Company shall be consolidated with or merged into any other corporation, or all or substantially all of the mortgaged property as an entirety or substantially as an entirety shall be conveyed or transferred, subject to the lien of the Indenture, the corporation resulting from such consolidation, or into which the Company shall have been merged, or which shall have received such conveyance or transfer, may elect to exchange its bonds for bonds outstanding under the Indenture, including the Bonds of the 6.99% Series, subject to the conditions and in the manner provided in the Indenture.

To the extent permitted by, and as provided in, the Indenture, amendments or modifications of the Original Indenture, or of any indenture supplemental thereto, and of the rights and obligations of the Company and of the owners of the bonds issued and to be issued thereunder, may be made with the consent of the Company by the written consent of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds then outstanding under the Indenture; provided that any amendment or modification which will affect the rights under the Original Indenture or any indenture supplemental thereto of the owners of one or more, but less than all, of the series of bonds outstanding under the Indenture or which will amend or modify any Exclusive Benefit Covenant (as defined in the Indenture) may be made only with the consent of the Company and the written consent

of the registered owners of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of the bonds of the series so affected or the bonds of the series for the protection or benefit of which such Exclusive Benefit Covenant is made, as the case may be, then outstanding under the Indenture (unless in the case of any Exclusive Benefit Covenant some other percentage of bonds is provided in the supplemental indenture establishing the Exclusive Benefit Covenant), and may be made with the written consent of the registered owners of said principal amount of the bonds of such series without any requirement for the consent of owners of bonds outstanding under the Indenture which are not affected by such amendment or modification; provided, however, that except with the written consent of the registered owner of this Bond no amendment or modification shall be made which will permit the extension of the time or times of payment of the principal of or the interest on this Bond, or a reduction in the principal amount hereof, the premium, if any, or the rate of interest hereon, or otherwise affect the terms of payment of the principal of, premium, if any, or interest on this Bond, or reduce the percentage of principal amount of bonds the consent of the registered owners of which is required for the modification or alteration of the Indenture, or of any indenture supplemental thereto.

This Bond is transferable by the registered owner hereof, in person or by duly authorized attorney, on books of the Company to be kept for that purpose at the office of the Trustee in the City of Philadelphia, Pennsylvania (or, if there be a successor trustee, at its principal office), upon surrender hereof at such office for cancellation and upon presentation of a written instrument of transfer duly executed, and thereupon the Company shall issue in the name of the transferee or transferees, and the Trustee shall authenticate and deliver, a new registered Bond or Bonds of the 6.99% Series, in authorized denominations, of a like aggregate principal amount; and the registered owner of any Bond or Bonds of the 6.99% Series may surrender the same as aforesaid at said office in exchange for a like aggregate principal amount of Bonds of like form, in authorized denominations; all upon payment of the charges and subject to the terms and conditions specified in the Indenture.

The Company and the Trustee may treat the registered owner of this Bond as the absolute owner hereof for the purpose of receiving payment hereof, or on account hereof, and for all other purposes.

No recourse under or upon any obligation, covenant or agreement contained in the Indenture or in any indenture

supplemental thereto, or in any bond thereby secured, or because of any indebtedness thereby secured, shall be had against any incorporator, or against any past, present or future stockholder, officer or director, as such, of the Company or of any successor corporation, either directly or through the Company or any successor corporation, under any constitution, statute, or rule of law or equity, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise; it being expressly agreed and understood that the Indenture, any indenture supplemental thereto and obligations thereby secured are solely corporate obligations, and that no personal liability whatever shall attach to, or be incurred by, such incorporators, stockholders, officers or directors, as such, of the Company, or of any successor corporation, or any of them, because of the incurring of the indebtedness thereby authorized, or under or by reason of any of the obligations, covenants or agreements contained in the Indenture or in any indenture supplemental thereto or in any of the bonds or coupons thereby secured, or implied therefrom.

This Bond shall not be entitled to any benefit under the Indenture, or any indenture supplemental thereto, and shall not become valid or obligatory for any purpose, until First Union National Bank, as the Trustee under the Indenture, or a successor trustee thereunder, shall have signed the form of authentication certificate endorsed hereon.

IN WITNESS WHEREOF, KENTUCKY-AMERICAN WATER COMPANY has caused this Bond to be signed in its name by its President or a Vice President and its corporate seal to be hereto affixed and attested by its Secretary or an Assistant Secretary, and this Bond to be dated this _____ day of June, 1998.

KENTUCKY-AMERICAN WATER COMPANY

By: _____
Vice President and Treasurer

Attest:

Secretary

(FORM OF TRUSTEE'S AUTHENTICATION CERTIFICATE
FOR BONDS OF THE 6.99% SERIES)

Trustee's Authentication Certificate

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Sixteenth Supplemental Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

By: _____

Authorized Officer

CERTIFICATE OF INCORPORATION
OF
AMERICAN WATER CAPITAL CORP.

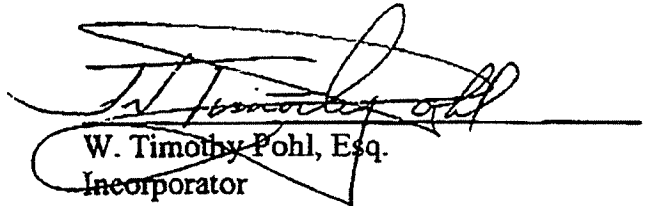
The undersigned, for the purpose of forming a corporation pursuant to the General Corporation Law of the State of Delaware, does hereby state as follows:

1. **Name.** The name of the Corporation is American Water Capital Corp. (the "Company")
2. **Registered Office and Agent.** The address of the Company's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company.
3. **Purpose.** The purposes for which the Company is formed are to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware and to possess and exercise all of the powers and privileges granted by such law and any other law of Delaware.
4. **Authorized Capital.** The total number of shares of stock which the Company shall have authority to issue is 10,000 shares, all of which shall be Common Stock of the par value of \$1.00 per share.
5. **Incorporator.** The name and mailing address of the incorporator are as follows: W. Timothy Pohl, 1025 Laurel Oak Road, P.O. Box 1770, Voorhees, NJ 08043.
6. **Term.** The Company is to have perpetual existence.
7. **Bylaws.** The board of directors of the Company shall have the power to adopt, amend or repeal the bylaws of the Company, except as otherwise specifically provided therein.
8. **Elections of Directors.** Elections of directors need not be by written ballot unless the bylaws of the Company shall so provide.
9. **Limitation on Liability.** The directors of the Company shall be entitled to the benefits of all limitations on the liability of directors generally that are now or hereafter become available under the General Corporation Law of Delaware, including, without limitation, as permitted by the provisions of

paragraphs (7) of subsection (b) of § 102 of the Delaware General Corporation Law, as the same may be amended and supplemented. Any repeal or modification of this Section 9 shall be prospective only, and shall not affect, to the detriment of any director, any limitation on the personal liability of a director of the Company existing at the time of such repeal or modification.

10. Right to Amend. Subject to the provisions of this Certificate, the Company reserves the right to amend any provision contained in this Certificate of Incorporation and in any certificate amendatory hereof in the manner now or hereafter prescribed by law, and all rights conferred on stockholders or others hereunder are subject to such reservation.

IN WITNESS WHEREOF, the undersigned, being the incorporator hereinbefore named, as hereunto set his hand, this 11 day of May, 2000.


W. Timothy Pohl, Esq.
Incorporator