

445 ELK LAKE RESORT RD
OWENTON, KY 40359

ELK LAKE PROPERTY OWNERS

facsimile transmittal

To: David Baker Fax: (606) 268-6374

From: Carl J. Stich Sr. Date: 03/25/99

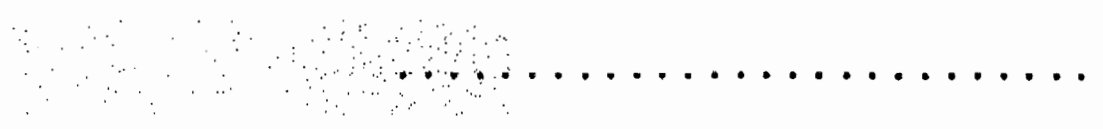
Re: Elk Lake Water Co. info Pages: 2 plus cover

CC:

Urgent For Review Please Comment Please Reply Please Recycle

Mr. Baker

Here are copies of the information we discussed.



01/06/99

Elk Lake Water Company
Profit and Loss
December 1998

	<u>Dec '98</u>	<u>Jan - Dec '98</u>
Income		
419 · Interest Income	4.81	140.08
481 · Metered Sales	6,921.75	85,725.48
474 · Other Revenues		
474.01 · Meters Installed	360.00	720.00
474.02 · Access Fees	779.40	10,764.86
474.03 · New Service Fee	0.00	960.00
474.04 · Meter Removal Fee	0.00	280.00
474.05 · Service Charges	40.00	480.00
474.06 · Late Charges	129.45	1,961.47
474.07 · Returned Check Fee	0.00	15.00
Total 474 · Other Revenues	<u>1,308.85</u>	<u>15,161.33</u>
Total Income	<u>8,235.21</u>	<u>101,046.87</u>
Expense		
408 · Taxes Other Than Income	322.02	9,021.97
615 · Purchased Power	103.48	1,708.82
617 · Interest Expense	0.00	10,000.00
618 · Chemicals	816.71	7,755.16
620 · Materials & Supplies	932.74	6,051.77
630 · Contractual Services		
630.01 · Salaries	4,175.00	43,420.00
630.02 · Laboratory Tests	66.10	2,038.35
630.03 · Meter Tests/Repairs	0.00	353.50
630.04 · Backhoe/Labor	60.00	962.50
630.05 · Miscellaneous	0.00	55.00
Total 630 · Contractual Services	<u>4,301.10</u>	<u>46,829.35</u>
640 · Rent Expense	400.00	4,800.00
650 · Transportation	162.50	2,157.15
655 · Insurance Expense	0.00	9,381.00
671 · Returned Checks	0.00	0.00
673 · Cash Short/Over	-0.93	-0.93
675 · Miscellaneous Expense	643.32	2,072.15
676 · Taxes	0.00	57.75
Total Expense	<u>7,660.94</u>	<u>99,834.19</u>
Net Income	<u>554.27</u>	<u>1,212.68</u>

David Baker
Director – Business Development

December 10, 1999

Mr. Carl Stitch
Elk Lake Water Company
445 Elk Lake Resort Road
Owenton, Kentucky 40359

Dear Carl:

Thanks to you and Vernon for taking the time meet with me, Charlie, Carol and Kevin.

I appreciate the opportunity to meet with you to discuss possible acquisition of Elk Lake and/or purchase of water from Tri-Village. Kevin is currently working on the engineering aspects of these possibilities, and I am looking at the DOW and PSC aspects of the order in which we three entities might proceed with these plans. I will be in touch with you ASAP, hopefully within a couple of weeks with suggestions.

Thanks again, and have a nice Holiday.

Sincerely,

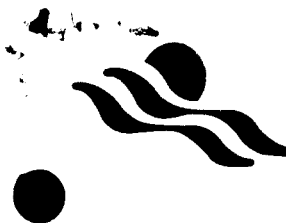
David Baker

C: Charlie Noel
Carol Tudor
Roy Mundy
Kevin Kennoy

(Carl – Please see my notes – some of this inf. is not needed, some I already have – I will pick this up and do the copying – Thanks)

1. System Map *YOU HAVE*
2. Rate Sheets for past 5 years
3. Tariffs (if any) for past 5 years *YOU HAVE*
4. ✓ Number of Customers:
 - a) each Class *310 Res.*
 - b) each County and/or City _____
5. ✓ Financial Statements and Audits: Past 5 years
6. Engineering Reports; Past 5 years *NONE*
7. Contracts:
 - a) Purchase or Sale of Water
 - b) Emergency connections *N/A*
 - c) Franchises *n/a*
 - d) Purchase or sale of any assets
 - e) Supply contracts
 - f) Other
8. Leases
 - a) Vehicles and Equipment *n/a* *NONE*
 - b) Computers *n/a*
 - c) Real estate; buildings; antennas
 - d) Other
9. ✓ Real Property Deeds, Mortgages, Liens, Encumbrances, Easements and Licenses
10. Description of buildings, tanks and other improvements *YOU HAVE*
11. Description of Vehicles and Equipment, including values *n/a*
12. ✓ Tank descriptions; inspection records; last painting dates
13. Booster Station descriptions (pumps, chemicals, etc.) *Booster station on lot 378 which will go with sale*
14. ✓ Main break records for past 5 years
15. List/location of public and private fire hydrants *NONE*
16. ✓ Employees and Contractors:
 - a) Titles, wages, benefits
 - b) Any contracts? *n/a*
17. Indebtedness and Grants Outstanding:
 - a) Document copies: notes, bonds, mortgages, contracts, etc.
 - b) Terms and balances owed; Maturity date(s)
 - c) Bond issues; bank borrowings, etc.
18. Claims and Litigation:
 - a) All known claims against, or on behalf of, the entity *NONE*
 - b) Any potential claims?
19. ✓ Governance Documents:
 - * ✓ a) Articles and Bylaws (if any) *For Water Co and ELPOA - articles of incorporation*
 - ✓ b) Lists of Directors and Officers
 - c) Minutes of meetings for past 5 years *n/a*
 - d) Current certificates of good standing (private corporations) *NONE*

** Water Co is not a Corp.*



Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502 • (606) 269-2386 • Fax (606) 268-6327

David Baker
Director – Business Development

February 29, 2000

Mr. Carl Stitch, Administrator
Elk Lake Water Company
445 Elk Lake Resort Road
Owenton, Ky 40359

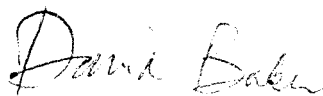
Dear Mr. Stitch:

Thanks to you and your staff for your assistance as we have worked together to prepare the enclosed conceptual proposal to purchase the water distribution system of Elk Lake Water Company. We have enjoyed our association with Elk Lake and appreciate your consideration.

This conceptual proposal outlines a method for KAWC to purchase the water distribution system assets of ELWC and provide water services to your customers under Public Service Commission Jurisdiction. American Water Works Co., Inc. is Kentucky's and the nation's largest investor-owned water utility company, operating in 23 states. In Kentucky we lead our industry, serving over 95,000 customers in 7 counties. Should you elect to pursue this partnership option, you can be assured that your customers will receive state of the art service and water quality, and be assured of the greatest economies of scale that the industry can offer. Your customers will be served from the KAWC Owenton Facilities.

Thanks again for your cooperation and assistance.

Sincerely,



David Baker

C: Roy W. Mundy, II, President



Kentucky-American Water Company

Discussion of Potential

Business Partnerships

Elk Lake Water Co., Inc.

Kentucky-American Water Company

February, 2000



Discussion of Potential Business Partnerships:

1. Background Information – Kentucky-American and American Water Works Co., Inc.
2. Partnership Option – Water System Sale

This conceptual proposal is presented to Elk Lake Water Company for its consideration of possible business partnerships with Kentucky-American Water Company. Should Elk Lake Water Co. decide to pursue this option, Kentucky-American reserves the right to further negotiate this proposal. All proposals and subsequent offers and closings are subject to all due diligence and approvals by all legal authorities including but not limited to the Public Service Commission and the Kentucky-American board of directors. Additionally, this proposal and/or any subsequent contracts that both parties enter into will be subject to the successful closing of the KAWC acquisition of the Tri-Village Water District.

All costs are estimates based on existing KAWC information. Final cost figures are subject to further inspection and other due diligence. Statements made herein are for initial discussion purposes only. Such statements should not be relied upon by any person or entity at this time until after complete due diligence by KAWC. No relationship between Elk Lake Water Co. (ELWC) and KAWC is created by the statements herein. This is not an offer and should not be relied upon as such. If ELWC indicates that it intends to participate in the partnership option discussed, KAWC will prepare and submit for approval the appropriate offers, contracts or other documents.



Kentucky-American Water Company

1. Background Information, Kentucky-American and American Water Works Co., Inc.

Incorporated in Kentucky in 1882 under the name of Lexington Hydraulic and Manufacturing Corporation, the company's name was changed to Lexington Water Company in 1922 and to Kentucky-American Water Company in 1973. KAWC is a regional water supplier which withdraws, treats and distributes water in Fayette, Scott, Clark, Bourbon, Harrison, Jessamine and Woodford Counties. In addition, KAWC is a bulk supplier to the Cities of Georgetown, North Middletown, Midway, Versailles, Jessamine South Elkhorn Water District and Spears Water Company. KAWC is Kentucky's largest investor-owned water utility. Traded on the NYSE, AWW is the nation's largest investor owned water utility.

Revenues:	KAWC – 1998 annual revenues:	\$36.9 million
	AWW:	\$1 Billion

Taxes Paid:	Federal, State Income Taxes:	\$4,526,093
	General Taxes:	\$1,577,515

Number of Employees:	KAWC:	155
	AWW:	4000 +

Statistics:	93,391 Customers served
1998	1364 miles of main
	over 157,000 water quality tests run annually
	over 16 million gallons of storage

AWW Serves over 7,000,000 in 22 states



Kentucky-American Water Company

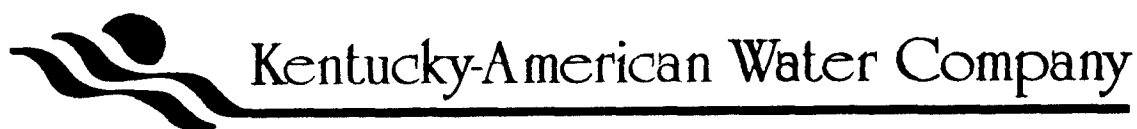
KAWC

Management: Roy W. Mundy, II, President
Coleman Bush, Vice-President and Treasurer
Nick Rowe, Vice-President – Operations
Herb Miller, Secretary – Corporate Counsel
Edward J. Grubb – Comptroller
David Baker – Director – Business Development
Barbara Brown – Director – Communications
Donna Braxton – Director - Loss Control
Linda Bridwell – Director – Engineering
Larry Burns – Director – Customer Service
Phil McConathy – Director – Employee Relations
Jan Routt – Director – Water Quality
David Whitehouse – Director – Gov. Relations

Advantages of Business Partnership with KAWC/AWW:

KAWC and AWW have the highest level of Expertise:

- In Kentucky, KAWC has a staff of 5 chemists/biologists and 2 certified labs to insure the highest water quality. Our national laboratory facility in Belleville, Illinois and our water quality team assist in developing the latest industry technologies and regulatory measures
- We have 4 professional engineers on staff in Kentucky
- We have a complete rate, financial, accounting and management staff in Kentucky



- We have over 100 years experience in Kentucky and well established relationships with regulatory agencies
- We have the ability to finance projects internally without the delay and uncertainty of federal funding, and the resources of a corporation with over \$1 billion in revenues
- We have the experience of facilitating over 75 water and wastewater system acquisitions within the American System over the past 10 years
- Kentucky American employees live and are actively involved in the Communities in which they work
- We are helping to lead the process in regionalization/consolidation within Kentucky, serving on the Governor's Water Resources Development Commission
- Kentucky-American is an active and responsible corporate citizen, supporting projects within the communities we serve.
- Rate Regulation under the Public Service Commission (for acquisition options only) – PSC controls rates and the KAWC rate of return



2. Partnership Option – Systems Sale

AWW has successfully facilitated over 75 value added water system acquisition/partnerships over the past 10 years ranging in size from 50 to 500,000 customers. Kentucky-American proposes to purchase the water distribution system, with the following details: (all figures estimated from the 12/31/98 ELWC PSC Report – subject to further update, negotiation and verification by KAWC and all due diligence and approvals)

Estimated System

Purchase Price **\$115,427**

**(Book Value less A/D,
Contributed Capital=
PSC Allowable price,
plus \$95,777 premium)**

**Est. Proceeds/Residual to
ELWC, after**

Payoff of debt and: \$ 39,247

Collection of receivables

- KAWC could purchase the assets of the distribution system and completely own and manage in the future
- The current rates would remain in place initially
- All rates and service will be regulated by the Public Service Commission
- Customer service will be maintained at the highest possible level



Kentucky-American Water Company

- State of the Art procedures for water quality, distribution and production will be used under the AWW Company Standards
- A representative from Elk Lake Water Co. may serve on the Owen County Advisory Council, established to provide input into system issues to KAWC
- Preliminary estimates indicate that the existing Tri-Village system connection will serve as the supply
- Proposal includes approximately \$10,000 for tank improvements (altitude valve vault to control the draw/fill dynamics of the existing tank) at KAWC expense
- Proposal assumes that KAWC will pay ELWC not take ownership of the water treatment plant, buildings, land or equipment; all equipment, lines, tanks, hydrants, etc. associated with the distribution and storage systems will be purchased.
- An environmental assessment of the facilities may need to be conducted
- 24 hour emergency customer response will be provided
- Customers billed monthly, with the convenience of paying bill at the Owenton Office, by mail or by automatic bank draft
- Customers will be served by Kentucky-American's Owen County Staff



Kentucky-American Water Company

- Employees of Elk Lake will be offered employment at Tri-Village Water District (dependent upon closing and qualifications) with excellent benefits, including medical/dental insurance, 401k, pension, vacations, etc.

David Baker
Director – Business Development

March 1, 2000

Mr. Gilbert Ruehl
Elk Lake Water Company
8780 Livingston Road
Cincinnati, OH 45251

Dear Mr. Ruehl:

Thanks for the time and consideration that you afforded me in our meeting with the Water Committee yesterday at the Elk Lake Office. I enjoyed meeting the group and appreciate the effort that Elk Lake put into providing information and reviewing the conceptual proposal I presented.

Kentucky-American Water Company is most enthused about a potential business partnership with Elk Lake Water Company. We feel confident that such an arrangement can provide your customers with a long-term guarantee of excellent service, top water quality and reasonable rates. As we discussed, I will come back to present this proposal to your entire board once the 1999 PSC report is available and updated financial information can be discussed. I am also verifying the engineering information concerning utilization of the existing water tank and pumping requirements.

Thanks again for your hospitality and your interest in Kentucky-American Water Company.

Sincerely,

David Baker

C: Roy W. Mundy II, President

David Baker
Director – Business Development

March 1, 2000

Mr. Jack Dempwolf
Elk Lake Water Company
46 Junefield Avenue
Cincinnati, OH 45218

Dear Mr. Dempwolf:

Thanks for the time and consideration that you afforded me in our meeting with the Water Committee yesterday at the Elk Lake Office. I enjoyed meeting the group and appreciate the effort that Elk Lake put into providing information and reviewing the conceptual proposal I presented.

Kentucky-American Water Company is most enthused about a potential business partnership with Elk Lake Water Company. We feel confident that such an arrangement can provide your customers with a long-term guarantee of excellent service, top water quality and reasonable rates. As we discussed, I will come back to present this proposal to your entire board once the 1999 PSC report is available and updated financial information can be discussed. I am also verifying the engineering information concerning utilization of the existing water tank and pumping requirements.

Thanks again for your hospitality and your interest in Kentucky-American Water Company.

Sincerely,

David Baker

C: Roy W. Mundy II, President

David Baker
Director – Business Development

March 1, 2000

Mr. Robert Kanerva
Elk Lake Water Company
10796 St. Andrews Drive
Union, Kentucky 41091

Dear Mr. Kanerva:

Thanks for the time and consideration that you afforded me in our meeting with the Water Committee yesterday at the Elk Lake Office. I enjoyed meeting the group and appreciate the effort that Elk Lake put into providing information and reviewing the conceptual proposal I presented.

Kentucky-American Water Company is most enthused about a potential business partnership with Elk Lake Water Company. We feel confident that such an arrangement can provide your customers with a long-term guarantee of excellent service, top water quality and reasonable rates. As we discussed, I will come back to present this proposal to your entire board once the 1999 PSC report is available and updated financial information can be discussed. I am also verifying the engineering information concerning utilization of the existing water tank and pumping requirements.

Thanks again for your hospitality and your interest in Kentucky-American Water Company.

Sincerely,

David Baker

C: Roy W. Mundy II, President

David Baker
Director – Business Development

March 1, 2000

Mr. Ronald Volkmann
Elk Lake Water Company
7981 Nieman Drive
Cincinnati, OH 45224

Dear Mr. Volkmann:

Thanks for the time and consideration that you afforded me in our meeting with the Water Committee yesterday at the Elk Lake Office. I enjoyed meeting the group and appreciate the effort that Elk Lake put into providing information and reviewing the conceptual proposal I presented.

Kentucky-American Water Company is most enthused about a potential business partnership with Elk Lake Water Company. We feel confident that such an arrangement can provide your customers with a long-term guarantee of excellent service, top water quality and reasonable rates. As we discussed, I will come back to present this proposal to your entire board once the 1999 PSC report is available and updated financial information can be discussed. I am also verifying the engineering information concerning utilization of the existing water tank and pumping requirements.

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Sincerely,

David Baker

C: Roy W. Mundy II, President

David Baker
Director – Business Development

March 1, 2000

Mr. Carl Stitch, Sr.
Administrator
Elk Lake Water Company
445 Elk Lake Resort Road
Owenton, Kentucky 40359

Dear Mr. Stitch:

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Sincerely,

David Baker

C: Roy W. Mundy II, President

ELK LAKE PROPERTY OWNERS ASSN.

445 ELK LAKE RESORT ROAD
OWENTON, KENTUCKY 40359-9163
(502) 484-0014
FAX 502-484-0014

Board of Directors
Thomas L. Kramer, President
Tom McHugh, Vice President
Karin Mueller, Secretary
Dennis McDaniel, Treasurer
G. William Bettner
Sam Altman
Charlie Norman
Michael Finke
Edward Shrewsbury
Bob Kanerva, Water Company

Office Hours
Friday: 11:00 AM - 6:00 PM
Saturday: Noon - 4:00 PM

Administrator: Carl J. Stich, Sr.

Rec'd 5/24/00

May 23, 2000

Mr. David K. Baker
Director Business Development
Kentucky-American Water Company
2300 Richmond Road
Lexington, Kentucky 40502

Dear David:

The ELPOA Directors would like to thank you for your very informative meeting with our committee members on Friday, May 12th.

As we explained at that meeting, the attendance was a mixture of the water committee and ELPOA Directors and they could not make a firm commitment at that time. However, they left the meeting feeling all their questions had been answered and that they could make a recommendation to the full association board to accept your proposal.

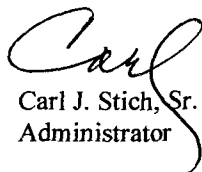
At the regular monthly meeting of the ELPOA on Saturday, May 20th, director and water committee chairman, Bob Kanerva, passed out the folders you left us and explained your proposal to the board. After a brief discussion a motion was made to accept. The motion passed unanimously.

The attorney who will be handling this for us is Mark Cobb, 127 West Seminary Street, Owenton Kentucky 40359, telephone at (502) 484-2119. He has been informed of our plans in this matter and will be available for any assistance your people may require.

As you stated at the May 12th meeting, there is much more work to be done putting this together, so feel free to call on me for any assistance I can give.

Sincerely,

ELK LAKE PROPERTY OWNERS ASSN.


Carl J. Stich, Sr.
Administrator

CJS/mas

line:
CC to Herb Miller
let to DKB



Kentucky-American Water Company *David's*

2300 Richmond Road • Lexington, Kentucky 40502 • (606) 269-2386 • Fax (606) 268-6327

COPY

David Baker
Director – Business Development

May 25, 2000

Mr. Carl Stitch, Administrator
Elk Lake Property Owners Assn.
445 Elk Lake Resort Road
Owenton, Kentucky 40359

Dear Carl:

My thanks to you, the committee members and the Directors of ELPOA for the consideration you have afforded Kentucky-American Water Company as we have discussed business partnerships.

KAWC is most pleased to be in receipt of your letter of intent to sell certain water distribution system assets of Elk Lake Water Company, subject to the conditions precedent outlined in the proposal. Our staff attorney, Herb Miller, is drafting an agreement as we speak and I will forward that draft to you and your attorney, Mr. Mark Cobb for your review. After this initial review and changes are completed, we should then meet with your Board of Directors and review the contract in detail and execute the agreement.

Attached to this letter is a preliminary list of items needed for our due diligence review that you will want to begin thinking about locating. As we discussed on the phone today, I will visit you soon and we can look over these items and I will provide the photocopying services needed.

Again, my most sincere thanks and appreciation for your efforts in facilitating this process.

Sincerely,

David K. Baker

Enc

C: Roy W. Mundy, II, President
Herb Miller, Esq.

(Carl – Please see my notes – some of this inf. is not needed, some I already have – I will pick this up and do the copying – Thanks)

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19. Governance Documents:
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 - b) Lists of Directors and Officers
 - c) Minutes of meetings for past 5 years *n/a*
 - d) Current certificates of good standing (private corporations)



Kentucky-American Water Company



**Proposal For Water System
Asset Purchase**

Elk Lake Water Co., Inc.

Kentucky-American Water Company

May, 2000



Kentucky-American Water Company

Proposal for Asset Purchase:

1. Background Information – Kentucky-American and American Water Works Co., Inc.
2. Partnership Option – Water System Sale
3. Purchase Contingencies
4. Procedures to Close Transaction

This proposal is presented to Elk Lake Water Company for its consideration of possible business partnerships with Kentucky-American Water Company. Should Elk Lake Water Co. decide to pursue this proposal, Kentucky-American reserves the right to further negotiate to reach a contract for purchase of certain water system assets. All proposals and subsequent offers and closings are subject to all due diligence and approvals by all legal authorities including but not limited to the Public Service Commission and the Kentucky-American board of directors. Additionally, this proposal and/or any subsequent contracts that both parties enter into will be subject to the successful closing of the KAWC acquisition of the Tri-Village Water District.

All costs are estimates based on existing KAWC information. Final cost figures are subject to further inspection and other due diligence. No relationship between Elk Lake Water Co. (ELWC) and KAWC is created by the statements herein.



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Kentucky-American Water Company

KAWC

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David Baker – Director – Business Development
Barbara Brown – Director – Communications
Donna Braxton – Director - Loss Control
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Larry Burns – Director – Customer Service
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Jan Routt – Director – Water Quality
David Whitehouse – Director – Gov. Relations

Advantages of Business Partnership with KAWC/AWW:

KAWC and AWW have the highest level of Expertise:

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- We have over 100 years experience in Kentucky, and well established relationships with regulatory agencies
- We have the ability to finance projects internally without the delay and uncertainty of federal funding, and the resources of a corporation with over \$1 billion in revenues
- We have the experience of facilitating over 75 water and wastewater system acquisitions within the American System over the past 10 years
- Kentucky American employees live and are actively involved in the Communities in which they work
- We are helping to lead the process in regionalization/consolidation within Kentucky, serving on the Governor's Water Resources Development Commission
- Kentucky-American is an active and responsible corporate citizen, supporting projects within the communities we serve.
- Rate Regulation under the Public Service Commission (for acquisition options only) – PSC controls rates and the KAWC rate of return



2. Proposal to Purchase Water System Assets

AWW has successfully facilitated over 75 value added water system acquisition/partnerships over the past 10 years ranging in size from 50 to 500,000 customers. Kentucky-American proposes to purchase the water distribution system, excluding the plant, cash in bank, accounts receivables, water resources and the majority of the land, with the following details: (all figures estimated from the 12/31/99 ELWC PSC Report – subject to further update, negotiation and verification by KAWC and all due diligence and approvals)

Proposed Purchase Price:

Book Value of Water Distribution, Storage systems, related land And easements:	\$379,075
Less: Accumulated Depreciation	(177,103)
Plant and Land, exc. \$5000	(74,843)
Contributions in Aid of Const.	<u>(102,719)</u>
 PSC Purchase Price Indicated :	 \$ 24,410
 Plus: Purchase Price Premium	 64,674
 Total Purchase Price Offered	 \$ 89,084
 Less: Debt Payoff at Closing	 (65,603)
Plus: Current Assets	<u>16,519</u>
Estimated Remaining Funds:	\$ 40,000**

** KAWC will not purchase nor collect Elk Lake's A/R, but will remit any funds belonging to Elk Lake after closing that are submitted with KAWC payments



Kentucky-American Water Company

- KAWC is offering to purchase certain assets of the distribution system and completely own and manage in the future
- Absent unexpected events, the current Rates would remain in place initially
- All rates and service will be regulated by the Public Service Commission
- Customer service will be maintained at the highest possible level
- State of the Art procedures for water quality, distribution, production will be used under the AWW Company Standards
- A representative from Elk Lake Water Co. may serve on the Owen County Advisory Council, established to provide input into system issues to KAWC
- Preliminary estimates indicate that the existing Tri-Village system connection will serve as the supply
- Proposal includes approximately \$10,000 for tank improvements (altitude valve vault to control the draw/fill dynamics of the existing tank) at KAWC expense
- Proposal assumes that KAWC will not take ownership of the water treatment plant and related buildings, land and equipment. However, all equipment, lines, tanks, hydrants, etc. associated with the distribution and storage systems will be purchased.
- An environmental assessment of the facilities may need to be conducted
- Elk Lake will be responsible for collecting all Elk Lake A/R



Kentucky-American Water Company

- 24 hour emergency customer response system will be provided
- customers billed monthly with the convenience of paying bill at the Owenton Office or by mail, or by automatic bank draft
- customers will be served by Kentucky-American's Owen County Staff
- Employee of Elk Lake will be offered employment (dependent upon closing and qualifications) with competitive wages and excellent benefits, including medical/dental insurance, 401k, pension, vacations, etc.



Kentucky-American Water Company

KAWC Contingencies Relating to Purchase of Elk Lake Water Company:

- Verification and approval of financial, water sales and all other information
- Updating and KAWC approval of this proposal at the time of closing to reflect changes in financial position
- Public Service Commission Approval
- Approval by KAWC's Board of Directors
- Closure of the Tri-Village Water District Asset Purchase
- This proposal assumes that KAWC will not be responsible for repayment of any grant monies, other contributed capital and liabilities. Transfer of assets and rights to future revenue streams (except A/R) must be unencumbered
- All other appropriate due diligence regarding the quality of assets to be purchased, business and legal risks, accuracy and approval of financial condition, execution of an asset purchase agreement, etc., all of which are subject to KAWC approval
- No material changes in the financial condition and in the assets to be purchased or obligations to be incurred without KAWC approval
- Recommendation and support of the KAWC asset purchase agreement, and all legal, regulatory and other requirements necessary to effect this transaction
- KAWC approval of any Environmental Assessment Conducted



Kentucky-American Water Company

Procedural Steps to Closure:

1. Elk Lake Board Votes to negotiate with the intent to reach a final purchase agreement
2. KAWC begins detailed due diligence
3. KAWC drafts agreement, presents to Elk Lake for execution
4. KAWC assists Elk Lake in member education, public information sessions
5. Agreement submitted to KAWC Board for approval
6. Agreement then submitted to PSC for approval
7. Closure of Tri-Village Asset Purchase
8. Closure of contract following final due diligence



Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502 • (606) 269-2386 • Fax (606) 268-6327

David Baker
Director – Business Development

COPY

July 21, 2000

Mr. Tom McHugh
Mr. Carl Stitch
Board of Directors
Elk Lake Water Company
Owenton, Kentucky 40359

Dear Sirs:

Thank you very much for the faith, confidence and trust that you have placed in Kentucky-American Water Company as we move forward in our plans to acquire the distribution assets of the Elk Lake Water Company. We look forward to serving your customers.

As we discussed in our contract signing meeting, KAWC will persevere to close the acquisition as quickly as possible. This closing is subject to all due diligence, the resolution of the water quality issues as discussed, the closure of the Tri-Village Water District acquisition, our Board of Director Approval and PSC approval. We will keep you closely informed of our progress and will assist you in coordinating communication with your customers.

Again, thank you for choosing Kentucky-American Water Company.

Sincerely,

David K. Baker

C: Chris Jarrett
Roy Mundy
Mike Miller
Herb Miller
Nick Rowe
Dan Bickerton

MODE = MEMORY TRANSMISSION START=NOV-16 14:47 END=NOV-16 15:01

FILE NO. = 212

NO.	COM	ABBR/NTWK	STATION NAME/ TELEPHONE NO.	PAGES	PRG.NO.	PROGRAM NAME
001	INC		915024840014--8	002/004		
					-KAWC	-

***** - ***** - *****



Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502
869/269-2386

TELECOPY TRANSMITTAL SHEET

FAX No. 859/ 268-6327

We have a Panasonic Panafax UF-755 Facsimile

DATE: 11/16/01

COMPANY: Elk Lake Property Owners Association, Inc. 502/484-0014

HAND TO: Carl Stitch

FROM: Herb Miller

Number of pages, including cover: 4

If you have any problems with receiving, please call:

Phone: 859/268-6325 Ask for: Jan Dickson

Hard copy mailed: Yes x No

PLEASE DELIVER TO THE ABOVE NAMED PERSON IMMEDIATELY

The information contained in this transmission is privileged, confidential and intended only for the use of the individual or entity named above. If you receive this communication in error, please notify Kentucky-American Water Company immediately by telephone, collect and return the original message to us at the address shown via the U.S. Postal Service. You will be reimbursed for the required postage. Thank you.

Message:

MODE = MEMORY TRANSMISSION

START=NOV-16 15:02

END=NOV-16 15:03

FILE NO. = 218

NO.	CDM	ABBR/NTWK	STATION NAME/ TELEPHONE NO.	PAGES	PRG.NO.	PROGRAM NAME
001	OK		915024840014--8	001/001		
						-KAWC -

***** - ***** - *****



Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502 • (859) 269-2386 • Fax (859) 268-6327

Herbert A. Miller, Jr.
Vice President and
Corporate Counsel
(859) 268-6339

November 16, 2001

FAX: 502/484-0014

Carl Stitch
Elk Lake Property Owners Association, Inc.
445 Elk Lake Resort Road
Owenton, KY 40359

Dear Mr. Stitch:

As we discussed earlier today, enclosed is a proposed amendment to our Asset Purchase Agreement to reflect the inclusion of the treatment plant in the purchase.

We plan on inspecting the plant right away, and, if it is acceptable, we will sign the amendment and move ahead with the PSC filing.

I would appreciate your getting approval of your Board to sign the Amendment and return it to me. Please call me at 859/268-6339 if you have any questions.

Thank you for your patience in this matter.

Yours very truly,

Herbert A. Miller, Jr.

HAM/jd

Enclosure

c: Mark R. Cobb, Esq. (w/enc.) Fax: 502/484-1065
P. O. Box 342
Owenton, KY 40359

- R. W. Mundy II (w/enc.)
- Nick O. Rowe "
- Dillard Griffin "
- Stan Stockton "
- Jan Routt "
- Lisa Helton "

MODE = MEMORY TRANSMISSION START=NOV-16 15:05 END=NOV-16 15:05

FILE NO. = 219

NO.	COM	ABBR/NTWK	STATION NAME/ TELEPHONE NO.	PAGES	PRG. NO.	PROGRAM NAME
001	OK	8	915024840014--8	001/001		
					-KAWC	-
*****				-	*****	- *****

**AMENDMENT TO ASSET PURCHASE AGREEMENT
ELK LAKE PROPERTY OWNERS ASSOCIATION, INC.**

This AMENDMENT TO ASSET PURCHASE AGREEMENT, dated November __, 2001, by and between **ELK LAKE PROPERTY OWNERS ASSOCIATION, INC.** ("Seller"), and **KENTUCKY-AMERICAN WATER COMPANY** ("Buyer").

That for good and valuable consideration, including the consideration stated in the Asset Purchase Agreement ("Agreement") between the Seller and Buyer dated July __, 2001, is hereby amended as follows:

Section 17 of the Agreement is amended in its entirety to read as follows:

At closing, Buyer agrees to purchase, and Seller agrees to sell, the Seller's water treatment plant, along with all equipment, fixtures, pipes, valves, machinery, supplies, inventory and any other appurtenance or accessory of any kind used in the operation of said plant. After the Closing, Buyer agrees to continue to operate the plant in a manner to adequately serve the needs of the existing customers of Seller, until such time that Buyer completes its connection to the former Tri-Village Water District (now owned by Buyer). Buyer plans to then terminate the operation of the water treatment plant at no cost to Seller. The water treatment plant shall be included in the Assets purchased, as referenced in Section 1 of the Agreement, and subject to the same Warranties and Conditions Precedent in Sections 2 and 14 of the Agreement. Buyer shall have the right, in its discretion, not to accept ownership of the plant if the plant is not in a condition acceptable to Buyer.

After the Closing, and until Buyer terminates the operation of the plant, the Seller agrees to lease to Buyer the land upon which the plant is located (including rights of reasonable access) at no additional cost to Buyer. Upon termination of the plant's operation, the lease for the land will terminate and Buyer shall not be further obligated to Seller. Following the termination of the lease and for a reasonable time thereafter, Seller shall give Buyer reasonable rights of access to the plant for Buyer's business purposes, including closing the plant, removal of property from the location, and other matters in Buyer's discretion.

Agreed, this ____ of November, 2001.

MODE = MEMORY TRANSMISSION

START=NOV-16 15:06

END=NOV-16 15:06

FILE NO.= 221

NO.	COM	ABBR/NTWK	STATION NAME/ TELEPHONE NO.	PAGES	PRG.NO.	PROGRAM NAME
001	OK		915024840014--8	001/001		
					-KAWC	-
*****				-	*****	- *****

**ELK LAKE PROPERTY OWNERS
ASSOCIATION, INC.**

KENTUCKY-AMERICAN WATER CO.

By: _____

By: _____

Title: _____

Title: _____

Witness: _____

Witness: _____

MODE = MEMORY TRANSMISSION START=NOV-16 14:50 END =NOV-16 14:53

FILE NO.= 214

NO.	COM	ABBR/NTWK	STATION NAME/ TELEPHONE NO.	PAGES	PRG.NO.	PROGRAM NAME
001	OK		915024841065--8	004/004		
						-KAWC -

***** - ***** - *****



2300 Richmond Road • Lexington, Kentucky 40502
869/269-2386

TELECOPY TRANSMITTAL SHEET

FAX No. 859/ 268-6327
We have a Panasonic Panafax UF-755 Facsimile

DATE: 11/16/01

COMPANY: _____

HAND TO: Mark R. Cobb, Esq. 502/484-1065

FROM: Herb Miller

Number of pages, including cover: 4

If you have any problems with receiving, please call:

Phone: 859/268-6325 Ask for: Jan Dickson

Hard copy mailed: Yes x No _____

PLEASE DELIVER TO THE ABOVE NAMED PERSON IMMEDIATELY

The information contained in this transmission is privileged, confidential and intended only for the use of the individual or entity named above. If you receive this communication in error, please notify Kentucky-American Water Company immediately by telephone, collect and return the original message to us at the address shown via the U.S. Postal Service. You will be reimbursed for the required postage. Thank you.

Message:

***** -COMM. JOURNAL- ***** DATE NOV-16-2001 ***** TIME 14:50 *** P.01

MODE = MEMORY TRANSMISSION START=NOV-16 14:49 END=NOV-16 14:50

FILE NO. = 213

NO.	COM	ABBR/NTWK	STATION NAME/ TELEPHONE NO.	PAGES	PRG. NO.	PROGRAM NAME
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001	OK	<24>	SKP	004/004		
-----	----	------	-----	---------	--	--

-KAWC -

***** - ***** - *****



Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502
869/269-2386

SKP

Handwritten signature

FYI

TELECOPY TRANSMITTAL SHEET

FAX No. 859/ 268-6327

We have a Panasonic Panafax UF-755 Facsimile

DATE: 11/16/01

COMPANY: Elk Lake Property Owners Association, Inc. 502/484-0014

HAND TO: Carl Stitch

FROM: Herb Miller

Number of pages, including cover: 4

If you have any problems with receiving, please call:

Phone: 859/268-6325 Ask for: Jan Dickson

Hard copy mailed: Yes No


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Message:

C: Carl Stick

J



Kentucky-American Water Company

2300 Richmond Road • Lexington, Kentucky 40502 • (859) 269-2386 • Fax (859) 268-6327

Herbert A. Miller, Jr.
Vice President and
Corporate Counsel
(859) 268-6339

December 19, 2001

Mr. Tom McHugh
President, Elk Lake Owners Association
445 Elk Lake Resort Road
Owenton, KY 40359

Dear Mr. McHugh:

Although our progress on this transaction is slower than we had anticipated, we want to keep you informed about the status of matters, and hope you will call me about any questions you may have.

There has recently arisen a question about the population figures for the number of people who, after the connection of Elk Lake to the Tri-Village system, will be served by the City of Owenton. This is important because if the three connected systems serve a population greater than 10,000, then new (and more strict) water quality standards will be imposed effective January 1, 2002. If the population is less than 10,000, then these new standards would not become effective until January 1, 2004.

We have had a number of conversations and meetings with the Division of Water about this issue. The DOW's current population formula has the combined systems with population that will exceed 10,000. This would put Kentucky-American at risk for water quality violations after January 1, 2002, if the systems are connected. However, the DOW is willing to consider a tabulation of the *actual* population based on Census 2000 data by census tracts and blocks. We hope we can show the DOW that the combined systems serve considerably less than 10,000 people based on the actual census.

Currently we are analyzing census data for the three service areas of Owenton, Tri-Village and Elk Lake to see what the true population numbers are. As you can imagine, this is proving to be rather time consuming. We hope to be finished by mid-January and also hope to have a response from the State on this fairly quickly.

Mr. Tom McHugh
December 19, 2001
Page 2

Alternatively, to run the plant for the next two years was not in the expectation of either Elk Lake or Kentucky-American. Elk Lake has repeatedly emphasized the desire for the plant to be removed. Likewise, the continued cost of operation and maintenance of the plant was not anticipated by Kentucky-American.

In any case, it always seems that unexpected issues complicate transactions such as this. We want to keep moving forward, but also wanted you to know that this is a serious issue. Kentucky-American does not want to walk into a situation where water quality violations will result.

Thank you for your patience. Please call me if you have any questions.

Yours truly,



Herbert A. Miller, Jr.

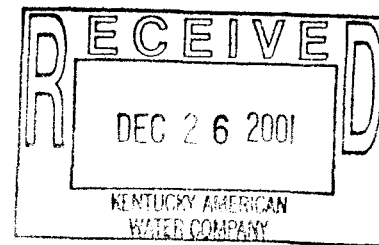
HAM/jd

c: Hon. Mark Cobb (Fax: 502/484-1065)
Attorney
P. O. Box 342
Owenton, KY 40359

Hon. Mike Withrow (Fax: 859/655-4239)
Attorney
50 East River Center Blvd., Suite 1800
Covington, KY 41011-2673

GREENEBAUM DOLL & McDONALD PLLC

50 EAST RIVERCENTER BLVD., SUITE 1800
POST OFFICE BOX 2673
COVINGTON, KENTUCKY 41012-2673
859/655-4200
www.gdm.com



MICHAEL V. WITHROW
859/655-6862
FAX 859/655-4239
E-MAIL mvw@gdm.com

December 21, 2001

Herbert A. Miller, Jr., Esq.
Vice President & Corporate Counsel
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502

Subject: **Elk Lake Water Supply**

Dear Herb:

First, thank you for your letter of December 19, and the time you took from your busy schedule yesterday to talk with me about the Elk Lake water issue. I conveyed the gist of our conversation to Tom McHugh, the President of the Elk Lake Property Owners Association (ELPOA), and later in the day he received your December 19 letter.

Mr. McHugh has now had an opportunity to communicate the general problem, as expressed by Kentucky-American, to ELPOA Board members, as well as to Carl Stich, the long-time Elk Lake Administrator. I suspect it comes as no surprise to you that the Elk Lake leadership is extremely concerned with Kentucky-American's delay in moving forward with the transaction contemplated in the Asset Purchase Agreement, and there is, frankly, some surprise and confusion with the 10,000 population issue you recently raised. I informed the ELPOA Board that you agreed, upon your return from your holiday vacation, to promptly arrange a meeting between the ELPOA representatives and key Kentucky-American officials to review in detail the status of your company's furnishing a much needed water supply to the Elk Lake community.

Herb, this is an extremely serious issue for Elk Lake. Accordingly, upon your return to the office will you please give me a call so that we can select an early-January meeting date and location to review the Elk Lake water situation. Thank you.

Sincerely,

cc: ELPOA Board of Directors
Tom McHugh, President, ELPOA

GREENEBAUM DOLL & McDONALD PLLC

50 EAST RIVERCENTER BLVD., SUITE 1800
POST OFFICE BOX 2673
COVINGTON, KENTUCKY 41012-2673
859/655-4200
www.gdm.com

MICHAEL V. WITHROW
859/655-6862
FAX 859/655-4239
E-MAIL mvw@gdm.com

January 30, 2002

Herbert A. Miller, Jr., Esq.
Vice President & Corporate Counsel
Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502

Subject: **Elk Lake Water Supply**

Dear Herb:

As you know from my voice mails, I tried to reach you prior to providing a summary of the Kentucky-American/Elk Lake water supply status. Unfortunately, you were busy and I had to respond before talking with you in order to make the publication deadline.

In any event, I wanted to share what I provided for the Elk Lake Newsletter (please see the attached). The Newsletter is distributed to the 300-400 property owners at Elk Lake.

The Elk Lake Board would like to invite you and others in your company, as appropriate, to attend the February 16 (9:00 a.m.) Board meeting at the Elk Lake Administration Building. As you can imagine, there is an extraordinary amount of interest in the status of the Elk Lake water supply issue. Also, we would be particularly interested in learning more about the Kentucky-American/Kentucky Division of Water meetings as they pertain to approval to consummate the contract between your company and the lake. The last time we spoke, you were very optimistic that State approval would be secured in a matter of weeks, and that a spring transition date was possible.

Please give me a call when you have a moment and let me know whether you can make the February 16 Board of Directors meeting in Owenton. Also, a current status report would be sincerely appreciated.

Best Regards,

Att.
cc: ELPOA Board



-----Original Message-----

From: Withrow, Michael V.

Sent: Wednesday, January 23, 2002 10:32 AM

To: 'lindenlex@qx.net'

Cc: 'tbmch@earthlink.net'; 'mommerbee@webtv.net'; Withrow, Michael V.; 'Mike.Finke@pyxis.com'; 'Ronaldcohen@dcr.net'; 'zoie21@dcr.net'; 'vinceevers@aol.com'; 'edgrady@webtv.net'; 'Tos@imsteel.com'; 'elpoa@dcr.net'; 'lindenlex@qx.net'

Subject: Elk Lake Newsletter/Water Co. Status

Dennis/Linda:

Tom McHugh asked that I provide a short statement as to the status of the water company sale. Tom is hopeful that this can go into the Elk Lake newsletter --- hopefully it's not too late.

* * * * *

"In late-December we received a letter from Kentucky-American Water Company, Lexington, KY, apologizing for the lack of progress in moving the water company sale to a conclusion. According to Kentucky-American's letter, a question had arisen concerning population figures for the number of people who, after the connection of Elk Lake, would be served by Kentucky-American. The letter went on to say that this was important because if the three connected systems of Elk Lake, Tri-Village and City of Owenton serve a population greater than 10,000, then new and more strict water quality standards would be imposed, effective January 1, 2002. If the population figure of the three-

RE: Elk Lake Newsletter/Water ...

system water supply is less than 10,000, then the new standards would not become effective until January 1, 2004. The population figure is therefore crucial to Kentucky-American because a figure in excess of 10,000 would require Kentucky-American to invest in capital expenditures prior to its budget plans, and would, importantly, cause Kentucky-American to be cited for a technical water quality violation upon purchase of the Elk Lake water system even though the water quality of the three systems (Elk Lake, Tri-Village and City of Owenton) would be fine.

Kentucky-American further indicated in its December letter that the Kentucky Division of Water's current population formula has the combined systems with population in excess of 10,000. However, the Kentucky Division of Water indicated to Kentucky-American that it was willing to consider a tabulation of the actual population based on official U.S. Census 2000 data. Kentucky-American concluded its letter by indicating that it would be analyzing the Census 2000 data for the three service areas of Owenton, Tri-Village and Elk Lake to determine the true population number.

After receiving Kentucky-American's letter, the ELPOA Board requested the Legal Committee (Mike Withrow, Chair) to contact the Vice President and General Counsel of Kentucky-American to see how the Elk Lake community could assist in obtaining the approval of the Kentucky Division of Water. The goal of the Board is to complete the sale of the water plant and related assets to Kentucky-American prior to the Spring-Summer busy season, if possible. Several conversations have since occurred between the Elk Lake Legal Committee and Kentucky-American.

The latest development has been positive. About a week ago, Kentucky-American reported that it had concluded its U.S. Census 2000 population review for the three-system water area, and the population count of all water system planned hook-ups shows that the population number will be less than 10,000 customers. Again, the 10,000 number is extremely important because remaining under this figure will allow Kentucky-American to move forward with the Elk Lake water purchase deal without triggering problematic water quality standards, as mentioned above.

The next step is for Kentucky-American to review the population numbers with the Kentucky Division of Water in Frankfort and obtain the state's approval. This meeting is expected to occur within the next few weeks. Afterwards, Kentucky-American has agreed to meet with the ELPOA Board to review status and to agree upon a timetable to complete the purchase of Elk Lake's water plant and associated assets.

We will keep the membership advised of the status of this situation periodically."

Mike Withrow
Chair, Elk Lake Legal Committee

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Herb Miller

03/01/2002 12:29 PM

To: tbmch@earthlink.net, mww@gdm.com
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Bill
Subject: Elk Lake PSC Application Process

Dear Tom McHugh and Mike Withrow:

I realize that the PSC application papers should have been in your hands (and to Mark Cobb) by now. Our outside regulatory counsel has been in New Mexico since last weekend (on business). He says he will work on it this weekend with a goal of getting it to you next week.

As for the existing plant, it looks like we can dismantle it once the second water line off of Highway 845 gets in place. Our goal is for that to be by the end of this year, but we all know that unanticipated things could affect this. We need to make sure that we can meet the peak hour demand of Elk Lake customers in the summer.

Again, I apologize for the delay, but I wanted you to be aware of what is going on.

Herb Miller

05/09/2002 09:18 AM

To: mww@gdm.com, tbmch@earthlink.net
cc: Linda Bridwell/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW,
ingramjr@skp.com
Subject: Elk Lake Closing Issues

Hello Mike Withrow and Tom McHugh:

In response to Mike's questions about preparation for Closing, I have attached an e-mail that is, at least, partially responsive to his inquiry. As I indicated in the attachment, our Engineering Director, Linda Bridwell, will be contacting you to coordinate some responses needed to the Attorney General's Office so the Commission can then rule.

There are some closing documents that Elk Lake will need to prepare and I have referenced them in the attachment.

As always, please do not hesitate to call us with questions. Our telephone numbers are:

Legal Matters: Herb Miller 859-268-6339
Engineering: Linda Bridwell " 268-6373
Financial Bill Bunch " 268-6318
Managerial Roy Mundy " 268-6320

Thanks.



Elk Lake Closing Letter.doc

To: Mike Withrow
Legal Advisor to Elk Lake

Fr: Herb Miller
Kentucky American Water Company

Date: May 9, 2002

Re: Upcoming Events

Hello, Mike. I have a partial response to your question about what will need to be done to prepare for a closing.

First, however, I am going to ask Linda Bridwell, our Director of Engineering, to contact you regarding some questions that have been asked by the Attorney General's Office in this case. We doubt if the PSC will rule until these questions are answered.

Although we'll get you are more detailed list later, there are some things that Elk Lake can be working on that will take some time to prepare. Most of these are in the Asset Purchase Agreement.

1. Your CPA will need to prepare a financial statement as of the date of closing. I am told that the CPA also did work for the Tri-Village Water District, so he is familiar with what is needed. This will also show whether the purchase price will have to be adjusted per Section 1 of the Agreement.
2. The bills of sale, deeds and assignments called for in Exhibits 1 and 2 will be needed. This would include the plant site as well as access rights to the plant while it is still in operation.
3. Of course, we'll need counsel's opinion that the terms of Sections 3 and 14 have been met.

I am sure there will be some operational requirements to coordinate, such as notices to your members (our customers), changeover of meter readings, timing of billing schedules, ceremonial issues and the like.



"Withrow, Michael V."
<MVW@GDM.com>
05/22/2002 03:00 PM

To: <hmill@kawc.com>, <tbmch@earthlink.net>, "Withrow, Michael V."
<MVW@GDM.com>
cc: <rwmundy@kawc.com>, <bbunch@kawc.com>
Subject: RE: PSC Approval Order for Elk Lake

Great news, Herb!

Tom McHugh, Carl Stitch and I look forward to talking with you to assure that we accomplish closing as soon as possible. When you have the opportunity, please provide us with several possible conference call dates. In the meantime, have a good holiday weekend.

Again, Herb, thanks!

Mike Withrow

-----Original Message-----

From: hmill@kawc.com [mailto:hmill@kawc.com]
Sent: Wednesday, May 22, 2002 2:59 PM
To: tbmch@earthlink.net; mvw@gdm.com
Cc: rwmundy@kawc.com; bbunch@kawc.com
Subject: PSC Approval Order for Elk Lake

Greetings Tom McHugh and Mike Withrow:

The PSC issued an approval order today for the asset acquisition of the water facilities of Elk Lake. Hoo-ray!!

Under the Agreement, a Closing must occur within 60 days of the Order provided all other warranties and conditions have been met. Of course, we will try to accomplish a Closing much earlier.

On May 9, 2002, I sent to Mike Withrow a list of things that need to get done as soon as possible. We will need to follow up on that and other transitional issues in the next week or so. Perhaps a meeting or a conference call would be good, maybe next week after Memorial Day weekend.

This message has been sent from a law firm and may contain information which is confidential or privileged. If you are not the intended recipient, please advise the sender immediately by reply e-mail and delete this message and any attachments without retaining a copy. Thank you.

Herb Miller

05/22/2002 02:58 PM

To: tbmch@earthlink.net, mvw@gdm.com
cc: Roy Mundy/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW
Subject: PSC Approval Order for Elk Lake

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Herb Miller

05/31/2002 10:16 AM

To: tbmch@earthlink.com, mvw@gdm.com, cjs@dcr.com
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Jan Routi/KAWC/AWWSC@AWW,
Stan Stockton/KAWC/AWWSC@AWW, Linda
Bridwell/KAWC/AWWSC@AWW, Larry
Burns/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Phil
McConathy/KAWC/AWWSC@AWW, Richard C
Svindland/KAWC/AWWSC@AWW, Donna
Taylor/KAWC/AWWSC@AWW, Rachel
Cole/KAWC/AWWSC@AWW, PARK
TACKETT/KAWC/AWWSC@AWW, Dillard
Griffin/KAWC/AWWSC@AWW, Susan
Lancho/KAWC/AWWSC@AWW, Lisa
Helton/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW

Subject: Elk Lake Closing Issues

Dear Tom McHugh, Carl Stitch and Mike Withrow:

It looks like I overcame my computer's resistance after all. Attached is the letter.

We will try to arrange a time for a visit. Thanks.



Final Tom McHugh Letter.doc

Tom McHugh
President
Elk Lake Property Owners' Association
3591 Eastmoor Dr.
Dayton, OH 45431

May 31, 2002

Dear Tom:

Kentucky American Water Company is looking forward to working with you and your team during the upcoming transition and serving your members with drinking water.

To get right to the point, we would like to set Friday, July 19, 2002, as the tentative Closing Date, if that date is convenient. This is what will work for our group in terms of coordinating schedules and getting things done. This date will allow for Elk Lake to make a billing for the month of June. It will also allow for a final reading (jointly) about June 16-18, and a first reading by Kentucky-American about August 22-26th.

We would like to flush the system around July 16th and begin feeding the Elk Lake system from the (former) Tri-Village system. We need to get a good handle on the hydraulics before the Closing. The residents may experience some brief changes in pressure and slight discoloration during the flushing and testing, but we will work with you on notifying them so the concerns can be kept to a minimum.

While we plan to close the treatment plant as soon as possible, we need to have it available for at least through this year's Labor day weekend. Until the line extension from Breck Road is connected, we may choose to use the site as pump/booster station, but without the need for the outside tank. When the system can be assured of operating without the plant, it will be dismantled.

Kentucky-American is also developing a unique "Welcome Packet" for distribution (perhaps by mail) to all Elk Lake customers. What do you think of an "Open House" at the Elk Lake lodge later on in the summer for residents to meet our employees? We'll buy the hot dogs and soft drinks!

We also need to talk about some of the more technical changes. For example, we meter our water in increments of 1000 gallons, rather than 100 gallons. We also do not charge a late fee penalty. There are also some notices we may have to post about water quality ratings (now that a large system water supplier will be the owner). The legal and financial documents will have to be addressed, too. But, we'll work these out.

Let's talk by phone next week about these things. Thank you very much.

Yours very truly,

Herbert A. Miller, Jr.
Vice-President and Corporate Counsel

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Vice-President and Corporate Counsel

Herb Miller

05/31/2002 10:16 AM

To: tbmch@earthlink.com, mvw@gdm.com, cjs@dcr.com
cc: Roy Mundy/KAWC/AWWSC@AWW, Nick
Rowe/KAWC/AWWSC@AWW, Jan Routt/KAWC/AWWSC@AWW,
Stan Stockton/KAWC/AWWSC@AWW, Linda
Subject: Elk Lake Closing Issues

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Vice-President and Corporate Counsel

Herb Miller

05/31/2002 09:12 AM

To: tbmch@earthlink.net, mvw@gdm.com, cjs@dcrr.net
cc: Bill Bunch/KAWC/AWWSC@AWW, Carol F
Tudor/KAWC/AWWSC@AWW, Stan
Stockton/KAWC/AWWSC@AWW, Larry
Subject: Elk Lake Closing Issues

Greetings to Tom McHugh, Mike Withrow and Carl Stitch:

I will sending to each of you a letter this morning, by fax, outling some thoughts about a Closing. I have tried to attach it to this e-mail, but can't seem to overcome my ineptness on this machine.

After you have discussed, we can talk about a good date to get together and make sure we're on the right track together.

Herb Miller
06/04/2002 01:10 PM
To: tbmch@earthlink.net, cjs31@earthlink.net, mvw@gdm.com
cc: Jan Routt/KAWC/AWWSC@AWW, (bcc: Bill Bunch/KAWC/AWWSC)
Subject: Elk Lake

Dear Tom, Carl and Mike:

I am attaching an e-mail from our Water Quality Director in which she outlines a proposal for the contents and distribution of the annual Consumer Confidence Report (CCR) for Elk Lake. This is the yearly water quality report required to be published by all water systems. We did not know whether Elk Lake distributed on in the past or not, so we went ahead drafted one for 2001. This will keep KAWC from being out of compliance once we close on the system later this summer.

As you can see from the e-mail, the State must receive certification by July 1 that the Report has been distributed. This can be done either by (1) making sure a copy is personally given to each resident at the guard shack, or (2) mailed to each resident. In any case we need to include the name, address and phone of a contact person and a decision from you on the preferred method of delivery.

If you would please get back to me by week's end on your preference I would appreciate it.

Thanks.

----- Forwarded by Herb Miller/KAWC/AWWSC on 06/04/2002 12:52 PM -----



Jan Routt
06/04/2002 12:42 PM
To: Herb Miller/KAWC/AWWSC@AWW, Roy Mundy/KAWC/AWWSC@AWW
cc: Dorothy Johnson/KAWC/AWWSC@AWW
Subject: Elk Lake

Here is the "almost final" Elk Lake CCR. Still have some fluoride data. Once we have that, I'll email to Martha Hall at State for her review.

Some fluoride data is outstanding but that should be forthcoming soon.

We also must include a contact for Elk Lake (Need name, phone and address)...Who should be listed for this....Carl Stich, Cheri, other ?

As far as delivery, we can facilitate this several ways...

1. provide all the copies (around 300?) to be handed out at the guard stand.
2. provide original and have them make their own copies to be delivered to residents.

Let us know which you prefer. These must be delivered to the customers (and a certification form to the State...signed by someone from Elk Lake) by July 1st.

Jan

Jan C. Routt
Director Water Quality
Kentucky-American Water Company
859/335-3662 office
859/263-3137 fax
jroutt@kawc.com

----- Forwarded by Jan Routt/KAWC/AWWSC on 06/04/02 12:25 PM -----



Dorothy Johnson
06/04/02 11:30 AM
To: Jan Routt/KAWC/AWWSC@AWW
cc:
Subject: Elk Lake

Jan,

Here is a rough draft of the Elk Lake CCR. I do not have the fluoride data but have a call into Gerald

Luttrell about getting this data. Hopefully we can get it soon. If you have any questions just let me know.
Dottie



CCR 2001Elk Lake WD-060402-DJJ.t

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06/04/2002 01:10 PM

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Dottie



CCR 2001Elk Lake WD-060402-DJJ.r



Jan Roult
06/10/2002 05:57 PM

To: cjs31@earthlink.net, Martha.hall@mail.state.ky.us
cc: Herb Miller/KAWC/AWWSC@AWW, Roy
Mundy/KAWC/AWWSC@AWW, Dorothy
Johnson/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW
Subject: Eal Lake CCR and public Notification of Unregulated Monitoring

Hello, Carl and Martha,

I have attached the proposed CCR and UCMR notification for Elk Lake for 2001.

Carl, feel free to suggest wording changes in the first paragraph especially..
Most of the rest is required wording and format. Please wait till I hear from Martha on here review and comments before sending to the paper.



CCR 2001Elk Lake WC-061002-JCR.

Martha, I will appreciate your review and letting me know if will fill the requirments of the CCR and the 2001 UCMR testing (four quarters of testing were done by the State and there were no detects...I actually have copies of the data but this sampling was done by the state with analysis by a contract lab).

Mr Stich would like to put this in the paper and then have copies available at the guard stand at the entrance to this neighborhood, There is only one entrance and everyone must pass it.

Unfortuantely we are getting close to deadlines...as this must be done, with certification of delivery to state, before the month is out.

I appreciate your attention to this.

Best Regards,

Jan

Jan C. Roult
Director Water Quality
Kentucky-American Water Company
6300 Cedar Creek Lane
Lexington, Ky 40515
859/335-3662 office
859/333-0075 cell
859/263-3137 fax
jroutt@kawc.com

Herb Miller

06/12/2002 09:53 AM

To: "Carl Stich Sr." <cjs31@earthlink.net>
cc: mvw@gdm.com, tbmch@earthlink.net, Bill
Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com
Subject: Re: Elk Lake Progress to Closing

Carl, please go ahead and send me a copy of the May statement. If it can be faxed to 859-268-6327 or e-mailed that would be great. I will ask Bill Bunch to communicate with you about getting the rest of the info. Thanks.

"Carl Stich Sr." <cjs31@earthlink.net>



"Carl Stich Sr."
<cjs31@earthlink.net>

06/12/2002 08:31 AM
Please respond to "Carl
Stich Sr."

To: <tbmch@earthlink.net>, <mvw@gdm.com>, <hmiller@kawc.com>
cc:
Subject: Re: Elk Lake Progress to Closing

Herb,

I'm not sure on how much you want our CPA to do on our financial statements or how close to closing.

We run a YTD statement at the end of each month to present to our board.

Would a review of the Jan to June statement do?

The CPA that does our taxes combines ELPOA and Elk Lake Water on one report for tax purposes.

Since my wife and I are leaving we did request a audit last year by another CPA.

I can send you a copy of the Water Co's May statement for a start if that would help.

Carl

----- Original Message -----

From: <hmiller@kawc.com>

To: <tbmch@earthlink.net>; <cjs31@earthlink.net>; <mvw@gdm.com>

Sent: Tuesday, June 11, 2002 3:50 PM

Subject: Elk Lake Progress to Closing

> Dear Tom, Carl and Mike:

>

> Attached FYI is our latest status report. We would appreciate receiving
> the deeds, bills of sale, assignments, etc. as soon as possible so we can
> review them well ahead of closing. Also, if you could let us know the
> status of the final financials it would be appreciated. Thank you.

> ----- Forwarded by Herb Miller/KAWC/AWWSC on 06/11/2002 03:40 PM -----

>

> Herb Miller

>

To: Roy Mundy/KAWC/AWWSC@AWW,

> Nick Rowe/KAWC/AWWSC@AWW,

>

06/11/2002

Linda Bridwell/KAWC/AWWSC@AWW,

Herb Miller
06/12/2002 09:54 AM
To: Bill Bunch/KAWC/AWWSC@AWW
cc:
Subject: Re: Elk Lake Progress to Closing

Could you please communicate with Carl Stich about the details of wht we need? Thanks.
----- Forwarded by Herb Miller/KAWC/AWWSC on 06/12/2002 09:50 AM -----



"Carl Stich Sr."
<cjs31@earthlink.net>
06/12/2002 08:31 AM
Please respond to "Carl Stich Sr."
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To: Roy Mundy/KAWC/AWWSC@AWW,
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Griffin/KAWC/AWWSC@AWW, Stan
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Dillard

> 03:40 PM
Stockton/KAWC/AWWSC@AWW,

> Carol F Tudor/KAWC/AWWSC@AWW,

> Burns/KAWC/AWWSC@AWW,

>

R

> Miller/WVAWC/AWWSC@AWW,

> Tackett/KAWC/AWWSC@AWW,

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to Closing

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> Elk Lake will issue a bill through July. KAWC will begin billing after
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Bill Bunch/KAWC/AWWSC@AWW, Larry

Rachel Cole/KAWC/AWWSC@AWW, Jim

Hamilton/WVAWC/AWWSC@AWW, Mike

Bryan Siler/KAWC/AWWSC@AWW, Park

Jan Routt/KAWC/AWWSC@AWW

cc:

Subject: Elk Lake Progress

> 8. Community Confidence Reports (CCR): Jan Routt is coordinating with
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> 9. Elk Lake Legal Documents: Tom McHugh and Mike Withrow for Elk Lake
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Herb

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>

>



"Carl Stich Sr."
<cjs31@earthlink.net>

06/12/2002 08:07 AM
Please respond to "Carl
Stich Sr."

To: <Martha.hall@mail.state.ky.us>, <JRoutt@kawc.com>
cc: <hmiller@kawc.com>, <rwmundy@kawc.com>,
<djohnson@kawc.com>, <bbunch@kawc.com>
Subject: Re: Eal Lake CCR and public Notification of Unregulated Monitoring

Jan,

This looks good to me, see no reason for any changes.

Let me know when we can turn it loose for the local paper and our monthly newsletter.

Carl

----- Original Message -----

From: <JRoutt@kawc.com>

To: <cjs31@earthlink.net>; <Martha.hall@mail.state.ky.us>

Cc: <hmiller@kawc.com>; <rwmundy@kawc.com>; <djohnson@kawc.com>;
<bbunch@kawc.com>

Sent: Monday, June 10, 2002 5:57 PM

Subject: Eal Lake CCR and public Notification of Unregulated Monitoring

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> Jan C. Routt

> Director Water Quality

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R

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Miller/WVAWC/AWWSC@AWW,

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"Carl Stich Sr."
<cjs31@earthlink.net>
06/12/2002 04:05 PM
Please respond to "Carl
Stich Sr."

To: <hmiller@kawc.com>
cc: <mvw@gdm.com>, <tbmch@earthlink.net>, <bbunch@kawc.com>, <ingramjr@skp.com>
Subject: Re: Elk Lake Progress to Closing

Herb, I will be in the office on Fri & Sat for the monthly meeting will fax then.

Carl

----- Original Message -----

From: <hmiller@kawc.com>
To: "Carl Stich Sr." <cjs31@earthlink.net>
Cc: <mvw@gdm.com>; <tbmch@earthlink.net>; <bbunch@kawc.com>; <ingramjr@skp.com>
Sent: Wednesday, June 12, 2002 9:53 AM
Subject: Re: Elk Lake Progress to Closing

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> Would a review of the Jan to June statement do?
>
> The CPA that does our taxes combines ELPOA and Elk Lake Water on one
report
> for tax purposes.

>
> Since my wife and I are leaving we did request a audit last year by
another
> CPA.
>
> I can send you a copy of the Water Co's May statement for a start if that
> would help.
>
> Carl
> ----- Original Message -----
> From: <hmiller@kawc.com>
> To: <tbmch@earthlink.net>; <cjs31@earthlink.net>; <mvw@gdm.com>
> Sent: Tuesday, June 11, 2002 3:50 PM
> Subject: Elk Lake Progress to Closing
>
>
> > Dear Tom, Carl and Mike:
> >
> > Attached FYI is our latest status report. We would appreciate receiving
> > the deeds, bills of sale, assignments, etc. as soon as possible so we
can
> > review them well ahead of closing. Also, if you could let us know the
> > status of the final financials it would be appreciated. Thank you.
> > ----- Forwarded by Herb Miller/KAWC/AWWSC on 06/11/2002 03:40 PM -----
> >
> > Herb Miller
> > To: Roy
> Mundy/KAWC/AWWSC@AWW,
> Nick Rowe/KAWC/AWWSC@AWW,
> > 06/11/2002 Linda Bridwell/KAWC/AWWSC@AWW,
> Dillard Griffin/KAWC/AWWSC@AWW, Stan
> > 03:40 PM Susan Lancho/KAWC/AWWSC@AWW,
> Stockton/KAWC/AWWSC@AWW, Bill Bunch/KAWC/AWWSC@AWW,
> > Carol F Tudor/KAWC/AWWSC@AWW,
> > Rachel Cole/KAWC/AWWSC@AWW,
> Larry
> Burns/KAWC/AWWSC@AWW,
> >
Jim
> R
> > Hamilton/WVAWC/AWWSC@AWW, Mike
> Miller/WVAWC/AWWSC@AWW, Bryan Siler/KAWC/AWWSC@AWW,
> >
> Park
> Tackett/KAWC/AWWSC@AWW,
> > Jan Routt/KAWC/AWWSC@AWW
> > CC:
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> > Tri-Village office. . Larry Burns anticipates this will be done by
> > mid-June. The plan is to have "turn-on" orders (in the system

> internally)
> > be effective on the date of Closing.
> >
> > 2. Customer Histories: Carol Tudor will contact Carl Stitch to see how
> > histories can be saved from the current billing system.
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> > 3. Pre-Closing Flushing: Park Tackett will coordinate with Carl and
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> > with the residents to anticipate the temporary "brown water" for
purposes
> > of bathing, clothes washing, etc.
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> > 4. Bill and meter reading: Final meter reading will occur July 16. 17
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> > 18 with KAWC associate accompanying Cheri or whoever reads Elk Lake
> meters.
> > Elk Lake will issue a bill through July. KAWC will begin billing after
> > this reading.
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> > 5. Plant Operation: Stan Stockton and Park will contact Cheri to make
> > sure coverage is available through the Labor Day weekend.
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> > 6. Randy Teegarden will be available after July 1 to begin actively
> > involved in the Elk Lake system.
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> > 7. Welcome Packets: Susan Lancho will be responsible for the
> > communication pieces that will go out upon closing. She will also
> > coordinate any receptions or "open houses" with Elk Lake leadership.
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> > 8. Community Confidence Reports (CCR): Jan Routt is coordinating with
> > Carl Stitch to have these available for residents by June 30th.
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> >
>
>
>
>
>

Herb Miller
06/12/2002 09:53 AM

To: "Carl Stich Sr." <cjs31@earthlink.net>
cc: mvw@gdm.com, tbmch@earthlink.net, Bill
Bunch/KAWC/AWWSC@AWW, ingramjr@skp.com
Subject: Re: Elk Lake Progress to Closing

Carl, please go ahead and send me a copy of the May statement. If it can be faxed to 859-268-6327 or e-mailed that would be great. I will ask Bill Bunch to communicate with you about getting the rest of the info. Thanks.

"Carl Stich Sr." <cjs31@earthlink.net>



"Carl Stich Sr."
<cjs31@earthlink.net>
06/12/2002 08:31 AM
Please respond to "Carl
Stich Sr."

To: <tbmch@earthlink.net>, <mvw@gdm.com>, <hmiller@kawc.com>
cc:
Subject: Re: Elk Lake Progress to Closing

Herb,

I'm not sure on how much you want our CPA to do on our financial statements or how close to closing.

We run a YTD statement at the end of each month to present to our board.

Would a review of the Jan to June statement do?

The CPA that does our taxes combines ELPOA and Elk Lake Water on one report for tax purposes.

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Herb Miller

>

To: Roy Mundy/KAWC/AWWSC@AWW,

Nick Rowe/KAWC/AWWSC@AWW,

>

06/11/2002

Linda Bridwell/KAWC/AWWSC@AWW,

Dillard

>

03:40 PM

Griffin/KAWC/AWWSC@AWW, Stan

Stockton/KAWC/AWWSC@AWW,

> Susan Lancho/KAWC/AWWSC@AWW,
Carol F Tudor/KAWC/AWWSC@AWW,
> Bill Bunch/KAWC/AWWSC@AWW, Larry
> Burns/KAWC/AWWSC@AWW,
> Rachel Cole/KAWC/AWWSC@AWW, Jim
> R
> Hamilton/WVAWC/AWWSC@AWW, Mike
> Miller/WVAWC/AWWSC@AWW,
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Herb Miller

07/15/02 11:55 AM

To: "Thomas Mc Hugh" <tbmch@earthlink.net>
cc: Lisa Helton/KAWC/AWWSC@AWW, Bill
Bunch/KAWC/AWWSC@AWW
Subject: Re: Closing Incidentals

Thanks, Tom. I'll forward this to Lisa. The lawyers have communicated and are beginning to exchange draft documents. We look forward to seeing you on Friday, as well.
"Thomas Mc Hugh" <tbmch@earthlink.net>



"Thomas Mc Hugh"
<tbmch@earthlink.net>
>

07/15/2002 06:48
AM
Please respond to
"Thomas Mc Hugh"

To: <hmiller@kawc.com>
cc: "Sandy Cohen" <Ronaldcohen@dcr.net>, "Carl Stich, Sr."
<cjs31@earthlink.net>, "ELPOA" <elpoa@dcr.net>, "Steve
Stanley" <Steves2@lfucg.com>, "Ed Grady"
<edgrady@webtv.net>, "Bill Bettner" <serendipity@dcr.net>,
"Tom Shade" <Tos@imsteel.com>, "Starla Thurlow"
<zoie21@dcr.net>, "Mike Finke" <Mike.Finke@pyxis.com>, "Mike
Withrow" <mww@gdm.com>, <DorisM1553@aol.com>
Subject: Closing Incidentals

Good Morning, Herb,

I've been unsuccessful in contacting Lisa on Friday and again this AM and, since our lake office is only open on Friday and Saturday, I'm sending these answers to her two questions to Carl: First, we have no objection to a sign at the gate advertising K-A's assumption of providing water service. Secondly, Sandy Cohen is our contact/focal point for Lisa regarding the Open House that K-A wants to host at our Lodge in mid-to-late August. Sandy is ELPOA board member and association secretary and a year-round lake resident. Her telephone number is (502) 484-5422.

I'll be at my home in Dayton through Thursday so please contact me there at (937) 429-3382 if we need to talk. Otherwise, I'll look forward to seeing you on Friday, July 19 at 1:00 PM.

Regards,

Tom McHugh

P.S. for Doris: Please alert gate guards so they're not surprised by sign placement
Thomas B. McHugh
(937) 429-3382
tbmch@earthlink.net

Herb Miller
07/15/2002 11:55 AM

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Tom McHugh

P.S. for Doris: Please alert gate guards so they're not surprised by sign placement
Thomas B. McHugh
(937) 429-3382
tbmch@earthlink.net

Herb:

It was a pleasure meeting you by phone. Looks like we have some common friends in the Lexington area! I'll mention to John Wharton that you asked about him.

Switching gears, please keep us advised of your progress with the Kentucky water authorities. I understand that you have a key meeting with the state later this week.

As we talked, the Elk Lake Board would appreciate having language added to the draft amendment to the Asset Purchase Agreement that addresses the future tear down and disposal of the water plant facility. Currently, the amendment states that upon termination of the water treatment plant's operation, the lease of the land will terminate and Buyer shall not be further obligated to Seller.

Once the water treatment plant serves its purpose as a summer back-up for Kentucky-American, and upon the termination of the lease, Kentucky-American's plant, equipment, fixtures, etc. remain on the land. Something along the following lines would be a helpful addition to the amendment to address this issue:

"Within sixty (60) days of lease termination, Buyer will, at Buyer's expense, dismantle and remove the water treatment plant and all equipment, fixtures, pipes, valves, machinery, supplies, inventory and other improvements and personal property included in the Asset Purchase Agreement, and return possession of the land to Sellers in a marketable condition."

The intent of the above language is to eliminate all unused and unnecessary items associated with the then defunct water treatment plant upon the lease termination, so if the above description is overbroad and affects an item that will be used after the existing water treatment plant is dismantled (e.g., pipes or a valve), it is unintentionally. I'm sure you will correct this if the language is an issue.

Herb, I understand that you will have a better idea of the Elk Lake water supply timetable later this week. We would appreciate it if you would keep us advised of progress in your efforts with the state. We are anxious to forge ahead with our mutually beneficial and expected long-term relationship with Kentucky-American.

Again, it was a pleasure meeting you by phone.

My mailing address is as follows, in case you need it:

Michael V. Withrow
Greenebaum Doll & McDonald PLLC
50 E. Rivercenter Blvd.
Suite 1800
Covington, KY 41012-2673
Phone: 859/655-6862
Fax: 859/655-4239
E-Mail: mvw@gdm.com

Mike Withrow

cc: ELPOA Board of Directors