KENTUCKY-AMERICAN WATER COMPANY
P. O. Box 593
Charleston, West Virginia 25322

BOND PURCHASE AGREEMENT

Re: $7,000,000 General Mortgage Bonds,
6.96% Series, Due December 1, 2023

Dated as of December 1, 1993

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, $7,000,000 aggregate principal amount of General Mortgage Bonds, 6.96% Series, due December 1, 2023 (the "Bonds"), of the Company, at a price equal to 100% of the principal amount thereof. The Bonds purchased by you shall be dated the date of their delivery to you, shall bear interest from such date at the rate of 6.96% per annum, shall mature December 1, 2023, and shall be issued under the Indenture of Mortgage dated as of May 1, 1968 (the "Original Indenture") between Lexington Water Company (predecessor to the Company) and The Fidelity Bank (a predecessor to First Fidelity Bank, N.A., Pennsylvania), as trustee (the "Trustee"), as heretofore supplemented and as to be supplemented by a Thirteenth Supplemental Indenture between the Company and the Trustee to be dated as of December 1, 1993, 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 Original Indenture, as so supplemented, being hereinafter referred to as the "Indenture").

8. Financial Statements. The Company agrees that, so long as you shall hold any of the Bonds purchased hereunder, it will deliver to you:

8.1. 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.

8.2. 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 statements of income, retained earnings and cash flows 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.

8.3. Within the period provided in Section 8.2 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.