LOAN AGREEMENT

by and among

COUNTY OF OWEN, KENTUCKY,
as Issuer

and

AMERICAN WATER CAPITAL CORP.,
as Financing Company

and

KENTUCKY-AMERICAN WATER COMPANY,
as Operating Company

Relating to

$26,000,000
County of Owen, Kentucky
Water Facilities Refunding Revenue Bonds
(Kentucky-American Water Company Project)
Series 2020

Dated as of August 1, 2020

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this "**Agreement**"), dated as of August 1, 2020, is among the **COUNTY OF OWEN, KENTUCKY** (the "**Issuer**"), a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky (the "**Commonwealth**"), **AMERICAN WATER CAPITAL CORP.,** a corporation duly organized and existing under the laws of the State of Delaware (the "**Financing Company**"), and **KENTUCKY-AMERICAN WATER COMPANY**, a corporation duly organized and existing under the laws of the Commonwealth of Kentucky (the "**Operating Company**");

W I T N E S S E T H:

WHEREAS, the Issuer is empowered under the provisions of Sections 103.200 to 103.285, inclusive, of the Kentucky Revised Statutes (the "**Act**") to borrow money through the issuance and sale of negotiable revenue bonds and to loan the proceeds from the sale of such bonds to any person, including any industrial concern or utility company, to finance the acquisition of any "industrial building" as defined in the Act, including facilities for the furnishing of water, if available on reasonable demand to members of the general public; and

WHEREAS, the Act provides that any bonds issued and outstanding thereunder may, at any time on or after their earliest redemption date, be refunded by the issuer thereof, with the consent of such industrial concern or utility company, in such amount as the governing body of such issuer may deem necessary to refund the principal of the bonds to be refunded; and

WHEREAS, the Act provides that any refunding bonds issued under the authority of Section 103.220 thereof shall be payable from the revenues out of which the bonds to be refunded were payable; and

WHEREAS, pursuant to Ordinance No. 170 adopted by the Fiscal Court of the Issuer on June 8, 2010, the Issuer has previously issued its Waterworks System Revenue Bonds, 2010 Series A (Kentucky-American Water Company Project) in the principal amount of $26,000,000 (the "**2010 Bonds**"), all of which are outstanding, and loaned the proceeds from the sale thereof to the Operating Company and the Financing Company (individually, a "**Borrower**" and together, the "**Borrowers**") to finance facilities for the furnishing of water by the Operating Company that is available on reasonable demand to members of the general public constituting an "industrial building" within the meaning of the Act; and

WHEREAS, the water furnishing facilities acquired, constructed, installed and equipped by the Operating Company with the proceeds of the 2010 Bonds consist of a portion of (1) an intake and raw water pump station located within the corporate boundaries of the County of Franklin, Kentucky ("**Franklin County**"), (2) a water treatment plant located within the corporate boundaries of the Issuer, and (3) related water transmission facilities consisting of (a) a booster pumping station and water storage tank located within the corporate boundaries of Franklin County and (b) pipeline located within the corporate boundaries of the Issuer and Franklin County as more particularly described in Exhibit A hereto (the "**Facilities**"); and

WHEREAS, the Borrowers have requested the Issuer to issue its refunding revenue bonds in the aggregate principal amount of not to exceed $26,000,000 in order to refund a like principal amount of the 2010 Bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act and an Ordinance duly adopted by the Fiscal Court of the Issuer on August 6, 2020 (the "**Ordinance**"), the Issuer has authorized the issuance of its Water Facilities Refunding Revenue Bonds (Kentucky-American Water Company Project) Series 2020 (the "**Bonds**") in the aggregate principal amount of not to exceed $26,000,000, the proceeds of the sale of which are to be used to currently refund a like principal amount of the 2010 Bonds; and

WHEREAS, each of the Issuer, the Financing Company and the Operating Company has duly authorized the execution, delivery and performance of this Agreement specifying the terms and conditions of the loan by the Issuer to the Borrowers of the proceeds of the Bonds to refund a like principal amount of the 2010 Bonds and the payment by the Borrowers to the Issuer of amounts sufficient for the payment of the principal of and premium, if any, and interest on the Bonds and certain related expenses; and

WHEREAS, the Issuer has duly entered into a trust indenture with The Bank of New York Mellon, as trustee, dated as of the date hereof (the "**Indenture**"), pursuant to which the Bonds will be issued; and

WHEREAS, the Bonds will be secured by a pledge and assignment of the payments by the Borrowers to the Issuer hereunder of amounts sufficient for the payment of the principal of and premium, if any, and interest on the Bonds;

NOW, THEREFORE, for and in consideration of the premises and the respective representations and covenants hereinafter contained, the parties hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definition of Terms. Unless the context otherwise requires, the terms used in this Agreement shall have the meanings specified in Section 1.1 of the Indenture, as originally executed or as it may from time to time be supplemented or amended as provided therein. In addition, the following term shall have the following meanings:

"**Loan Documents**" means this Agreement, the Tax Agreement, any Reimbursement Agreement and any Remarketing Agreement which may be in effect.

Section 1.2. Number and Gender. The singular form of any word used herein, including the terms defined in Section 1.1 of the Indenture, shall include the plural, and vice versa. The use herein of a word of any gender shall include all genders.

Section 1.3. Articles, Sections, Etc. Unless otherwise specified, references to Articles, Sections and other subdivisions of this Agreement are to the designated Articles, Sections and

other subdivisions of this Agreement as amended from time to time. The words "hereof," "herein," "hereunder" and words of similar import refer to this Agreement as a whole. The headings or titles of the several articles and sections, and the table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of the provisions hereof.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE ISSUER AND EACH BORROWER

Section 2.1. Representations and Warranties of the Issuer. The Issuer makes the following representations and warranties to the Borrowers:

(a) The Issuer is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth, having those powers enumerated under the Act. Based upon representations of the Operating Company, the Facilities constitute an "industrial building" within the meaning of the Act. Under the provisions of the Act, the Issuer has the power to enter into the transactions contemplated by this Agreement and the Indenture and to carry out its obligations hereunder. By proper action, the Issuer has duly authorized the issuance of the Bonds and the application of the proceeds thereof to the current refunding of the 2010 Bonds and the execution, delivery and performance of its obligations under this Agreement and the Indenture.

(b) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Agreement. The Issuer has taken all necessary action and has complied with all provisions of the law required to make this Agreement a valid and binding limited obligation of the Issuer, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(c) The Bonds have been duly authorized, executed and delivered by the Issuer. Nothing in this Agreement shall be construed as requiring the Issuer to provide any financing or refinancing for the Facilities other than with the proceeds of the Bonds.

(d) To the best knowledge of the Issuer, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Issuer which (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the Bonds, the origination of the loan or the lending of the proceeds of the Bonds to the Borrowers, or the execution and delivery of this Agreement, (ii) affects or questions the validity or enforceability of the Bonds or this Agreement or (iii) questions the Tax-Exempt status of interest on the Bonds.

Section 2.2. Representations and Warranties of each Borrower. Each Borrower represents and warrants to the Issuer that, as of the date of this Agreement and as of the date of delivery of the Bonds to the initial purchasers thereof:

(a) Such Borrower has corporate power and authority under the laws of the state of its formation (i) to enter into this Agreement and the other Loan Documents, (ii) to agree to be bound by the terms of the Indenture, (iii) to perform its obligations hereunder and under the other Loan Documents, and (iv) to consummate the transactions contemplated hereunder and under the other Loan Documents.

(b) Such Borrower is a corporation validly existing and in good standing under the laws of the state of its formation. Such Borrower has by proper corporate action duly authorized the execution and delivery of this Agreement and the other Loan Documents and the performance of its obligations hereunder and under the other Loan Documents.

(c) This Agreement has been duly executed and delivered by such Borrower and constitutes a legal, valid and binding obligation of such Borrower, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally and by judicial discretion in the exercise of equitable remedies. Upon the execution and delivery of each of the Loan Documents by such Borrower, each such Loan Document will constitute a valid and binding obligation of such Borrower, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting creditors' rights generally and by judicial discretion in the exercise of equitable remedies.

(d) The execution and delivery of this Agreement and the other Loan Documents and the performance by such Borrower of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby do not and will not conflict with, or constitute a breach or result in a violation of, the charter or bylaws of such Borrower, will not violate any law, regulation, rule or ordinance or any material order, judgment or decree of any federal, state or local court and (with due notice or the passage of time, or both), do not conflict with, or constitute a breach of, or a default under, or result in the creation or imposition of any prohibited lien, charge or encumbrance whatsoever upon any of the property or assets of such Borrower under the terms of any material document, instrument or commitment to which such Borrower is a party or by which such Borrower or any of its property is bound.

(e) Neither such Borrower nor any of its business or properties, nor any relationship between such Borrower or any other person, nor any circumstances in connection with the execution, delivery and performance by such Borrower of this Agreement and the other Loan Documents or the offer, issue, sale or delivery by the Issuer of the Bonds is such as to require the consent, approval or authorization of, or the filing, registration or qualification with, any governmental authority on the part of such Borrower other than those already obtained.

(f) Such Borrower has not been served with and, to the knowledge of such Borrower, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened directly against such Borrower which (i) affects or seeks to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or the lending of the proceeds of the Bonds to such Borrower or the execution and delivery of this Agreement or the other Loan Documents, (ii) affects or questions the validity or enforceability of this Agreement or the other Loan Documents, (iii) questions the power or authority of such Borrower to carry out the transactions contemplated by, or to perform its obligations under, this Agreement or the other Loan Documents or the powers of the Operating Company to own, acquire, equip or operate the Facilities, or (iv) which, if adversely determined, would materially impair its right to carry on business substantially as now conducted or as now contemplated to be conducted, or would materially adversely affect its financial condition.

(g) To the best of its knowledge, such Borrower is not in default under any document, instrument or commitment to which such Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of such Borrower to carry out its obligations hereunder or under the other Loan Documents.

(h) Any certificate signed by an Authorized Representative of such Borrower and delivered pursuant hereto or the other Loan Documents or the Indenture shall be deemed a representation and warranty by such Borrower to the Issuer and the Trustee of the statements made therein.

(i) The information contained in the Official Statement, dated August 12, 2020 which pertains to such Borrower, the Bonds and/or the Facilities is true and correct and accurately summarizes the matters encompassed thereby to the extent such matters are described therein.

(j) The costs of the "Projects" as set forth in the Project Certificates attached to the Tax Agreement were determined in accordance with sound accounting principles. All the information provided and representations made by the Operating Company and/or the Financing Company in the Tax Agreement are true and correct as of the date thereof.

(k) To the best of its knowledge, no event has occurred and no condition exists which would constitute an Event of Default or Loan Default Event or which, with the passing of time or with the giving of notice or both, would become an Event of Default or Loan Default Event.

(l) The Facilities are located within the corporate limits of the Issuer or Franklin County, as more particularly described in Exhibit A hereto and in the Tax Agreement.

(m) The Operating Company has no present intention of disposing of or abandoning any part of the Facilities nor of directing any part of the Facilities to a use other than the purposes represented to the Issuer.

(n) Such Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing and refinancing of the Facilities; that it is familiar with the provisions of all of the documents and instruments relating to such financing and refinancing to which such Borrower is a party or of which it is a beneficiary, including the Indenture; that it understands the risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Agreement or the Indenture or otherwise relied on the Issuer for any advice.

(o) The Facilities constitute an "industrial building" for the purpose of the Act, and have and will promote the public purposes of the Act to promote economic development, relieve conditions of unemployment and encourage the increase of industry in the Commonwealth. The Operating Company will operate the Facilities in accordance with the provisions of the Act.

ARTICLE III

ISSUANCE OF THE BONDS; APPLICATION OF PROCEEDS

Section 3.1. Agreement to Issue Bonds; Application of Bond Proceeds; Deposit of Additional Funds by Borrowers. To provide funds to currently refund the 2010 Bonds, the Issuer agrees that it will issue under the Indenture, sell and cause to be delivered to the Underwriter, the Bonds. The proceeds received from the sale of the Bonds will initially be deposited with the Trustee as provided in Section 3.1 of the Indenture and in accordance with Section 3.2 of the Indenture the Trustee is directed to transfer such proceeds on or prior to the redemption date for the 2010 Bonds to the 2010 Trustee for the current refunding of the 2010 Bonds as provided in the Indenture.

The Borrowers covenant to provide on the redemption date for the 2010 Bonds moneys for deposit with the 2010 Trustee which, together with the transfer to the 2010 Trustee described in the immediately preceding paragraph and the investment income therefrom, will be sufficient to pay the redemption price of all of the 2010 Bonds on the redemption date selected by the Borrowers, which redemption date shall be within 90 days of the Closing Date.

Section 3.2. Investment of Moneys in Funds. Any moneys in any fund or account held by the Trustee under the Indenture shall, at the written direction of an Authorized Representative of the Financing Company, be invested or reinvested by the Trustee as provided in the Indenture. Such investments shall be held by the Trustee and shall be deemed at all times a part of the fund or account from which such investments were made, and the interest accruing thereon, and any profit or loss realized therefrom, shall be credited or charged to such fund or account.

ARTICLE IV

LOAN OF PROCEEDS; REPAYMENT PROVISION

Section 4.1. Loan of Bond Proceeds; Issuance of Bonds. The Issuer covenants and agrees, upon the terms and conditions in this Agreement, to make a loan to the Borrowers from

the proceeds of the Bonds for the purpose of refunding the 2010 Bonds, and the Borrowers agree to apply the gross proceeds of such loan to the refunding of the 2010 Bonds as set forth in Section 3.1 hereof. The Issuer further covenants and agrees that it shall take all actions within its authority to keep this Agreement in effect in accordance with its terms. Pursuant to said covenants and agreements, the Issuer will issue the Bonds upon the terms and conditions contained in this Agreement and the Indenture and will cause the Bond proceeds to be applied as provided in Article III of the Indenture.

Section 4.2. Loan Payments and Payment of Other Amounts.

(a) On or before 12:30 p.m. New York City time on each Bond Payment Date, until the principal of and premium, if any, and interest on, the Bonds shall have been fully paid or provision for such payment shall have been made as provided in the Indenture, the Borrowers shall pay to the Trustee as a repayment on the loan made to the Borrowers from Bond proceeds pursuant to Section 4.1 hereof, a sum equal to the amount payable on such Bond Payment Date as principal of, and premium, if any, and interest on, the Bonds as provided in the Indenture. Such Loan Payments shall be made in federal or other immediately available funds at the Corporate Trust Office of the Trustee. The term "**Bond Payment Date**" as used in this Section 4.2(a) shall mean any date upon which any such amounts payable with respect to the Bonds shall become due, whether upon redemption, acceleration, maturity or otherwise.

Each payment made pursuant to this Section 4.2(a) shall at all times be sufficient to pay the total amount of interest and principal (whether at maturity or upon redemption or acceleration) and premium, if any, becoming due and payable on the Bonds on each Bond Payment Date; provided that any amount held by the Trustee in the Bond Fund on any due date for a Loan Payment hereunder shall be credited against the Loan Payment due on such date, to the extent available for such purpose; and provided further that, subject to the provisions of this paragraph, if at any time the amounts held by the Trustee in the Bond Fund (other than the Letter of Credit Account) are sufficient to pay all of the principal of and interest and premium, if any, on the Bonds as such payments become due, the Borrower shall be relieved of any obligation to make any further payments under the provisions of this Section. Notwithstanding the foregoing, if on any date the amount held by the Trustee in the Bond Fund is insufficient to make any required payments of principal of (whether at maturity or upon redemption or acceleration) and interest and premium, if any, on, the Bonds as such payments become due, the Borrowers shall forthwith pay such deficiency as a Loan Payment hereunder.

The obligations under this Section 4.2(a) to make Loan Payments are joint and several obligations and liabilities of the Financing Company and the Operating Company, as the "Borrowers" hereunder. It is the intention of the Financing Company and the Operating Company, as between themselves and not in contradiction of their joint and several liability as the "Borrowers" hereunder, that the Financing Company will be primarily responsible for the Loan Payments under this Section 4.2(a) while the Operating Company will be primarily responsible for the covenants under this Agreement relating to the operation and maintenance of the Facilities.

The obligation of the Borrowers to make any payment required by this Section 4.2(a) shall be deemed to have been satisfied to the extent of any corresponding payment made to the Trustee by a Credit Provider pursuant to a Letter of Credit then in effect with respect to the Bonds.

(b) The Borrowers also shall make any payments required to be made pursuant to Sections 2.4, 4.6, 4.7(d)(ii) and 4.8 of the Indenture at the applicable Purchase Price thereof by 1:45 p.m. New York City time on the Purchase Date in federal or other immediately available funds; provided, however the obligation to make such payments shall have been deemed satisfied to the extent that such Purchase Price shall have been paid from remarketing proceeds or from a draw under a Letter of Credit pursuant to Section 4.7(d)(1) of the Indenture.

The obligations under this Section 4.2(b) to make payments of Purchase Price are joint and several obligations and liabilities of the Financing Company and the Operating Company, as the "Borrowers" hereunder. It is the intention of the Financing Company and the Operating Company, as between themselves and not in contradiction of their joint and several liability as the "Borrowers" hereunder, that the Financing Company will be primarily responsible for making payments of Purchase Price in accordance with this Section 4.2(b), while the Operating Company will be primarily responsible for the covenants under this Agreement relating to the operation and maintenance of the Facilities.

(c) The Borrowers shall pay (i) the annual fee of the Trustee, if any, for its ordinary services rendered as Trustee and/or Tender Agent, respectively, and its ordinary expenses incurred under the Indenture, as and when the same become due, (ii) the reasonable fees, charges and expenses (including reasonable legal fees and expenses) of the Trustee, as Bond Registrar and Paying Agent, and the reasonable fees of any other Paying Agent as provided in the Indenture, and (iii) the reasonable fees, charges and expenses of the Trustee for the necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due. The Trustee's compensation shall not be limited by any provision of law regarding the compensation of a Trustee of an express trust.

(d) The Borrowers shall pay the reasonable fees, charges and expenses of any Remarketing Agent to the extent a Remarketing Agent is required for the Bonds pursuant to Section 5.10 hereof. Such payments shall be made directly to the Remarketing Agent. The Issuer shall have no obligation whatsoever with respect to the payment of fees, charges and expenses of any Remarketing Agent.

(e) The Borrowers shall pay any amounts required to be deposited in the Rebate Fund to comply with the provisions of the Tax Agreement and to pay the reasonable fees, charges and expenses of any rebate analyst.

(f) The Borrowers shall pay the reasonable charges and expenses of the Issuer related to the issuance of the Bonds.

Section 4.3. Unconditional Obligation. The obligations of the Borrowers to make the Loan Payments and the other payments required by Section 4.2 hereof and to perform and observe the other agreements on their part contained herein shall be absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Issuer, and during the term of this Agreement, the Borrowers shall pay all payments required to be made on account of this Agreement as prescribed in Section 4.2 and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of and premium, if any, and interest on, the Bonds shall

have been fully paid, or provision for the payment thereof shall have been made as required by the Indenture, the Borrowers (i) will not suspend or discontinue any payments provided for in Section 4.2; (ii) will perform and observe all of their other duties, responsibilities and covenants contained in this Agreement; and (iii) except as provided in Article VII hereof, will not terminate this Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to all or a portion of those facilities or equipment comprising the Facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the Commonwealth or any political subdivision of either of these, or any failure of the Issuer or the Trustee to perform and observe any covenant or agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement or the Indenture, except to the extent permitted by this Agreement.

Section 4.4. Assignment of Issuer's Rights. As security for the payment of the Bonds, the Issuer will assign and pledge to the Trustee the Issuer's rights under this Agreement including the right to receive Loan Payments hereunder (except the Unassigned Issuer Rights). The Issuer hereby directs the Borrowers to make the Loan Payments required hereunder directly to the Trustee for deposit as contemplated by the Indenture. The Issuer hereby directs the Borrowers to make the Purchase Price Payments required hereunder directly to the Trustee, in its capacity as Trustee or Tender Agent as contemplated by the Indenture. The Borrowers hereby consent to such assignment and pledge and agree to make payments directly to the Trustee or the Tender Agent, as the case may be, without defense or set-off by reason of any dispute between the Borrowers and the Issuer or the Trustee.

Section 4.5. Amounts Remaining in Funds. After payment in full of (i) the Bonds, or after provision for such payment shall have been made as provided in the Indenture, (ii) the fees, charges and expenses of the Issuer and the Trustee, in its capacities as Trustee, Tender Agent, Bond Registrar and Paying Agent and any other Paying Agents in accordance with the Indenture, (iii) all other amounts required to be paid under this Agreement and the Indenture, and (iv) if applicable, payment to any Credit Provider of any amounts owed to any Credit Provider under a Reimbursement Agreement with respect to a Letter of Credit, any amounts remaining in any fund held by the Trustee under the Indenture (excepting the Rebate Fund) shall be paid as provided in Section 10.1 of the Indenture. Notwithstanding any other provision of this Agreement or the Indenture, under no circumstances shall proceeds of a draw on a Letter of Credit or remarketing proceeds be paid to the Issuer, the Borrowers or an affiliate of the Borrowers.

ARTICLE V

SPECIAL COVENANTS AND AGREEMENTS

Section 5.1. Right of Access to the Facilities. During the term of this Agreement and so long as the Operating Company owns the Facilities, the Issuer, the Trustee, and the duly authorized agents of either of them shall have the right at all reasonable times during normal business hours to enter upon each site where any part of the Facilities is located and to examine and inspect such Facilities; provided that reasonable notice shall be given to the Operating Company at least five Business Days prior to such examination or inspection, and such inspection shall not disturb the Operating Company's normal business operations.

Section 5.2. Maintenance of Existence. Each Borrower covenants and agrees that during the term of this Agreement, such Borrower will maintain its legal existence in good standing in its state of formation, and, in the case of the Operating Company, the Operating Company shall be organized or qualified (or its applicable subsidiary shall be organized or qualified) to conduct business in the Commonwealth either directly or indirectly through one of its subsidiaries or affiliates. Each such Borrower further covenants and agrees that it will not dissolve, sell or otherwise dispose of all or substantially all of its assets and will not combine or consolidate with or merge into another entity so that such Borrower is not the resulting or surviving entity (any such sale, disposition, combination or merger shall be referred to hereafter as a "**transaction**"); provided that such Borrower may enter into such transaction, if: (i) the surviving or resulting transferee, person or entity, as the case may be, assumes and agrees in writing to pay and perform all of the obligations of such Borrower hereunder and under the Tax Agreement; (ii) in the case of the Operating Company, the surviving or resulting transferee, person or entity, as the case may be (or its applicable subsidiary), is organized or qualified to do business in the Commonwealth as a foreign qualified corporation or other entity under the laws of the Commonwealth; (iii) if a Letter of Credit is in effect, the existing Letter of Credit will remain in full force and effect or an alternate Letter of Credit meeting the requirements of this Agreement will be timely provided; (iv) such Borrower shall deliver to the Trustee prior to the consummation of the transaction an Approving Opinion; and (v) such Borrower shall deliver to the Issuer and the Trustee a copy of the assumption agreement described in clause (i) above and, if applicable, evidence of qualification to do business in the Commonwealth as described in clause (ii) above.

If a merger, consolidation, sale or other transfer is effected, as provided in this Section, all provisions of this Section shall continue in full force and effect and no further merger, consolidation, sale or transfer shall be effected except in accordance with the provisions of this Section.

Section 5.3. Records and Financial Statements of Borrowers. The Operating Company shall keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Operating Company relating to the Facilities. The Financing Company shall keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to payments made by the Financing Company with respect to the Bonds. Such books of record and account shall be available for inspection by the Issuer or the Trustee during normal business hours and under reasonable circumstances.

Section 5.4. Insurance. So long as the Operating Company owns the Facilities, the Operating Company agrees to insure the Facilities during the term of this Agreement for such amounts and for such occurrences as are customary for similar facilities of the Operating Company within the Commonwealth, by means of policies issued by reputable insurance companies qualified to do business in the Commonwealth or through "self insurance" in accordance with the ordinary course of business of the Operating Company.

Section 5.5. Maintenance and Repairs; Taxes; Utility and Other Charges. So long as the Operating Company owns the Facilities, the Operating Company agrees to maintain the

Facilities during the term of this Agreement (i) in as reasonably safe condition as its operations shall permit and (ii) in good repair and in good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof. The Operating Company agrees to pay or cause to be paid during the term of this Agreement all taxes, governmental charges of any kind lawfully assessed or levied upon the Facilities or any part thereof, including any taxes levied against any portion of any Facilities which, if not paid, will become a charge on the receipts from the Facilities, all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of any portion of the Facilities and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Facilities, provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Operating Company shall be obligated to pay only such installments as are required to be paid during the term of this Agreement. The Operating Company may, at the Operating Company's expense and in the Operating Company's name, in good faith, contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during that period of such contest and any appeal therefrom unless by such nonpayment the Facilities or any part thereof will be subject to loss or forfeiture.

Section 5.6. Qualification to Do Business. The Operating Company, or any successor or assignee as permitted by Section 5.2, shall, throughout the term of this Agreement, be qualified to do business in the Commonwealth, either directly or indirectly through one of its subsidiaries or affiliates.

Section 5.7. Tax Covenants. The Borrowers shall at all times do and perform all acts and things permitted by law and this Agreement and the Indenture which are necessary in order to assure that interest paid on the Bonds (or any of them) will be Tax-Exempt and shall take no action that would result in such interest not being Tax-Exempt. Without limiting the generality of the foregoing, the Borrowers agree to comply with the provisions of the Tax Agreement, which are hereby incorporated herein. This covenant shall survive payment in full or defeasance of the Bonds.

The Borrowers hereby covenant and agree with the Issuer and the Trustee for the benefit of the Holders of any Bonds, present and future, that they will not make, or permit, any use of the proceeds of the Bonds which will cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The Borrowers shall deliver to the Issuer their certificates, evidencing their reasonable expectations, in the form of the Tax Agreement and upon which the Issuer may rely in furnishing its own arbitrage certifications as set forth in the Tax Agreement.

Section 5.8. Assignment by Borrowers. The rights and obligations of each Borrower under this Agreement may be assigned by such Borrower to any person in whole or in part, subject, however, to each of the following conditions:

(a) No assignment other than pursuant to Section 5.2 hereof shall relieve such Borrower from primary liability for any of its obligations hereunder, and in the event of any assignment not pursuant to Section 5.2 hereof such Borrower shall continue to remain primarily liable for the payments specified in Section 4.2 hereof and for performance and

observance of the other agreements on its part herein provided to be performed and observed by it.

(b) Any assignment from such Borrower other than pursuant to Section 5.2 hereof shall retain for such Borrower such rights and interests as will permit it to perform its obligations under this Agreement, and any assignee from such Borrower shall assume in writing the obligations of such Borrower hereunder to the extent of the interest assigned.

(c) Within 30 days after delivery thereof, such Borrower shall furnish or cause to be furnished to the Issuer, the Credit Provider, if any, and the Trustee a true and complete copy of each such assignment together with an instrument of assumption.

(d) Such Borrower shall furnish to the Issuer, the Credit Provider, if any, and the Trustee an Approving Opinion addressed to the Issuer and the Trustee.

Section 5.9. Letter of Credit.

(a) The Financing Company may, at its option, provide for the delivery to the Trustee of a Letter of Credit or an Alternate Letter of Credit on (1) any Conversion Date, (2) any Business Day during a Term Interest Rate Period on which the Bonds are otherwise subject to optional redemption or (3) any Business Day during a Variable Interest Rate Period. A Letter of Credit shall be an irrevocable letter of credit or other irrevocable credit facility (including, if applicable, a confirming letter of credit), issued by a Credit Provider, the terms of which shall be acceptable to the Trustee and shall otherwise comply with the requirements of the Indenture; provided, that the expiration date of such Letter of Credit shall be a date not earlier than one year from its date of issuance or, if an Index Interest Rate Period, a SIFMA Interest Rate Period or a Term Interest Rate Period will be in effect, the first date on which the Bonds are subject to optional redemption, subject to earlier termination upon payment of the Bonds in full or provision for such payment in accordance with Article X of the Indenture or as otherwise set forth in the Letter of Credit. On or prior to the date of the delivery of a Letter of Credit to the Trustee, the Financing Company shall cause to be furnished to the Trustee (i) an Approving Opinion addressed to the Issuer and the Trustee with respect to the delivery of such Letter of Credit, and (ii) an opinion of counsel to the Credit Provider issuing such Letter of Credit addressed to the Trustee and the Borrowers to the effect that such Letter of Credit is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies).

(b) The Financing Company shall provide to the Trustee (with a copy to the Issuer and the Remarketing Agent) a notice at least 15 days prior to the effective date of any Letter of Credit or Alternate Letter of Credit (and in no event later than 35 days prior to the expiration of any existing Letter of Credit) identifying the Letter of Credit or Alternate Letter of Credit, if any, and the rating which will apply to the Bonds after the effective date.

(c) Prior to the commencement of the first Interest Rate Period after the termination of a Letter of Credit, the Financing Company shall furnish an Approving Opinion addressed to the Issuer and to the Trustee with respect to the termination of such Letter of Credit.

Section 5.10. Remarketing Agent. At any time the Bonds are in a Variable Interest Rate Period, an Index Interest Rate Period, a SIFMA Interest Rate Period or a Term Interest Rate Period of less than one year and prior to the conversion of the Bonds to another Interest Rate Period, the Financing Company shall retain a Remarketing Agent which meets the requirements set forth in the Indenture to perform the duties set forth in the Indenture.

Section 5.11. Compliance with Indenture. The Borrowers recognize that the Indenture contains provisions that, among other things, relate to matters affecting the Facilities and the administration and investment of certain funds. The Borrowers have reviewed the Indenture and hereby assent to all provisions of the Indenture. The Borrowers shall take such action as may be reasonably necessary in order to enable the Issuer and the Trustee to comply with all requirements and to fulfill all covenants of the Indenture to the extent that compliance with such requirements and fulfillment of such covenants are dependent upon any observance or performance required of the Borrowers by the Indenture or this Agreement.

ARTICLE VI

LOAN DEFAULT EVENTS AND REMEDIES

Section 6.1. Loan Default Events. Any one of the following which occurs and continues shall constitute a Loan Default Event:

(a) Failure of the Borrowers to make any Loan Payment required by Section 4.2(a) hereof when due, which failure shall have resulted in an Event of Default under Section 7.1(a) or (b) of the Indenture; or

(b) Failure of the Borrowers to make any Purchase Price Payment required by Section 4.2(b) hereof when due, which failure shall have resulted in an Event of Default under Section 7.1(b) of the Indenture; or

(c) Failure of a Borrower to observe and perform any covenant, condition or agreement on its part required to be observed or performed by this Agreement (other than as provided in clause (a) or (b) above) which continues for a period of 30 days after written notice delivered by the Issuer or the Trustee to the Borrowers and the Credit Provider, if any, which notice shall specify such failure and request that it be remedied, unless the Issuer and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued in good faith until the default is corrected; or

(d) The dissolution or liquidation of a Borrower or the filing by a Borrower of a voluntary petition in bankruptcy, or failure by a Borrower promptly to cause to be lifted

any execution, garnishment or attachment of such consequence as will impair such Borrower's ability to carry on its obligations hereunder, or the entry of any order or decree granting relief in any involuntary case commenced against a Borrower under any present or future federal bankruptcy act or any similar federal or state law, or a petition for such an order or decree shall be filed in any court and such petition shall not be discharged or denied within 90 days after the filing thereof, or if a Borrower shall admit in writing its inability to pay its debts generally as they become due, or a receiver, trustee or liquidator of a Borrower shall be appointed in any proceeding brought against such Borrower and shall not be discharged within 90 days after such appointment or if a Borrower shall consent to or acquiesce in such appointment, or assignment by a Borrower for the benefit of its creditors, or the entry by a Borrower into an agreement of composition with its creditors, or a bankruptcy, insolvency or similar proceeding shall be otherwise initiated by or against a Borrower under any applicable bankruptcy, reorganization or analogous law as now or hereafter in effect and if initiated against a Borrower shall remain undismissed (subject to no further appeal) for a period of 90 days; provided, the term "dissolution or liquidation of a Borrower," as used in this subsection, shall not be construed to include the cessation of the existence of such Borrower resulting either from a merger or consolidation of such Borrower into or with another entity or a dissolution or liquidation of such Borrower following a transfer of all or substantially all of its assets as an entirety or under the conditions permitting such actions contained in Section 5.2 hereof; or

(e) The existence of an "Event of Default" (as defined therein) under the Indenture.

Section 6.2. Remedies on Default. Subject to Section 6.1 hereof, whenever any Loan Default Event shall have occurred and shall be continuing:

(a) In the case of a Loan Default Event specified in clause (a), (b) or (d) of Section 6.1 hereof, the Trustee, by written notice to the Issuer, the Borrowers and the Credit Provider, if any, may declare the unpaid balance of the loan payable under Section 4.2(a) of this Agreement to be due and payable immediately, provided that concurrently with or prior to such notice the unpaid principal amount of the Bonds shall have been declared to be due and payable under the Indenture. Upon any such declaration such amount shall become and shall be immediately due and payable as determined in accordance with Section 7.1 of the Indenture.

(b) The Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrowers relating to the Bonds and/or the Facilities.

(c) The Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrowers under this Agreement.

(d) If applicable, the Trustee shall immediately draw upon any Letter of Credit, if permitted by its terms and required by the terms of the Indenture, and apply the amount

so drawn in accordance with the Indenture and may exercise any remedy available to it thereunder.

In case the Trustee, the Credit Provider, if any, or the Issuer shall have proceeded to enforce its rights under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, the Credit Provider, if any, or the Issuer, then, and in every such case, the Borrowers, the Trustee, the Credit Provider, if any, and the Issuer shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrowers, the Trustee, the Credit Provider, if any, and the Issuer shall continue as though no such action had been taken.

In case a Loan Default Event shall occur with respect to the payment of any Loan Payment payable under Section 4.2(a) hereof and the unpaid principal amount of the Bonds shall have been declared to be due and payable under the Indenture, then, upon demand of the Trustee, the Borrowers will pay to the Trustee the whole amount that then shall have become due and payable under said Section, with interest on the amount then overdue at the rate then borne by the Bonds on the day prior to the occurrence of such default.

In case the Borrowers shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrowers and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of a Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of a Borrower or in the case of any other similar judicial proceedings relative to a Borrower, or the creditors or property of a Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to this Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to such Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses to the extent permitted by the Indenture. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee and the Issuer any amount due each of them for their respective reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by each of them up to the date of such distribution.

In the event the Trustee incurs expenses or renders services in any proceedings which result from a Loan Default Event under Section 6.1(d) hereof, or from any default which, with the passage of time, would become such Loan Default Event, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

Section 6.3. Agreement to Pay Attorneys' Fees and Expenses. In the event a Borrower should default under any of the provisions of this Agreement and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of the payments due under this Agreement or the enforcement of performance or observance of any obligation or agreement on the part of such Borrower herein contained, the Borrowers shall pay promptly to the Issuer or the Trustee the reasonable fees and expenses of such attorneys and such other reasonable out-of-pocket expenses so incurred by the Issuer or the Trustee, whether incurred at trial, on appeal, in bankruptcy proceedings, or otherwise.

Section 6.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement and the Indenture or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be expressly required herein or by applicable law. Such rights and remedies as are given the Issuer hereunder shall also extend to the Trustee as the assignee of the Issuer.

Section 6.5. No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Agreement should be breached by a Borrower and thereafter waived by the Issuer, the Credit Provider, if any, or the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE VII

PREPAYMENT

Section 7.1. Redemption of Bonds with Prepayment Moneys. By virtue of the assignment of the rights of the Issuer under this Agreement to the Trustee as provided in Section 4.4 hereof, the Borrowers shall pay directly to the Trustee any amount permitted or required to be paid by it under this Article VII. The Indenture provides that the Trustee shall use the moneys so paid to it by the Borrowers to redeem the Bonds on the date set for such redemption pursuant to Section 7.5 hereof or to reimburse any Credit Provider for any draw under the Letter of Credit therefor. The Issuer shall call Bonds for redemption as required by Article IV of the Indenture or as requested by the Borrowers pursuant to the Indenture or this Agreement.

Section 7.2. Options to Prepay Installments. The Borrowers shall have the option to prepay the Loan Payments payable under Section 4.2(a) hereof by paying to the Trustee, for deposit in the Bond Fund, the amount set forth in Section 7.4 hereof and to cause all or any part of the Bonds to be redeemed at the times and at the prices set forth in Sections 4.1(c), (d), (e) or (f) of the Indenture, as the case may be.

Section 7.3. Mandatory Prepayment. If a mandatory redemption of the Bonds is required by Section 4.1(a) of the Indenture, the Borrowers shall have and hereby accept the

obligation to prepay the Loan Payments by paying to the Trustee, for deposit in the Bond Fund, the amount set forth in Section 7.4 hereof, to be used to redeem all or a part of the Outstanding Bonds.

Section 7.4. Amount of Prepayment. In the case of a redemption of the Outstanding Bonds in full, the amount to be paid shall be a sum sufficient, together with other funds and the yield on any securities deposited with the Trustee and available for such purpose, to pay (1) the principal of all Bonds Outstanding on the redemption date specified in the notice of redemption, plus interest accrued and to accrue to the payment or redemption date of the Bonds, plus premium, if any, pursuant to the Indenture, (2) all reasonable and necessary fees and expenses of the Issuer (including without limitation, reasonable legal fees and expenses), the Trustee and any Paying Agent accrued and to accrue through final payment of the Bonds and (3) all other liabilities of the Borrowers accrued and to accrue under this Agreement. In the case of a redemption of the Outstanding Bonds in part, the amount payable shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to pay the principal amount of and premium, if any, and accrued interest on the Bonds to be redeemed, as provided in the Indenture, and to pay expenses of redemption of such Bonds.

Section 7.5. Notice of Prepayment. To exercise an option granted in or to perform an obligation required by this ARTICLE VIIArticle VII, either Borrower shall give written notice at least 15 days (or such shorter period as shall be acceptable to the Trustee) prior to the last day by which the Trustee is permitted to give notice of redemption pursuant to Section 4.3 of the Indenture, to the Issuer, the Credit Provider, if any, the Remarketing Agent and the Trustee specifying the amount to be prepaid and the date upon which any prepayment will be made. If either Borrower fails to give such notice of a prepayment in connection with a mandatory redemption of the Bonds under this Agreement, such notice may be given by the Issuer, the Trustee or any Holder or Holders of 10% or more in aggregate principal amount of the Bonds Outstanding. The Issuer and the Trustee, at the written request of either Borrower or any such Holder, shall forthwith take all steps necessary under the applicable provisions of the Indenture (except that the Issuer shall not be required to make payment of any money required for such redemption) to effect redemption of all or part of the Bonds then Outstanding, as the case may be, on the specified redemption date (provided such redemption date complies with the applicable provisions of the Indenture). The Issuer hereby appoints the Borrowers to give all notices and make all requests to the Trustee with respect to the application of funds paid by the Borrowers as prepayments, including notices of optional redemption of the Bonds in conformity with Article IV of the Indenture.

ARTICLE VIII

NON-LIABILITY OF ISSUER; EXPENSES; INDEMNIFICATION

Section 8.1. Non-liability of Issuer. The Issuer shall not be obligated to pay the principal or Purchase Price of or interest on the Bonds, except from Revenues and other moneys and assets received by the Trustee pursuant to this Agreement. The Bonds shall not constitute an indebtedness of the Issuer within the meaning of the Constitution of the Commonwealth, but shall be payable as to principal and interest solely from the Revenues, including from loan repayments, made by the Borrowers to the Trustee on behalf of the Issuer in respect of the loan of the Bond

proceeds to the Borrowers hereunder. Neither the faith and credit nor the taxing power of the Issuer, the Commonwealth or any political subdivision thereof, nor the faith and credit of the Issuer or the Commonwealth is pledged to the payment of the principal or Purchase Price or interest on the Bonds. Neither the Issuer nor its officers, agents or employees or their successors and assigns shall be liable for any costs, expenses, losses, damages, claims or actions, of any conceivable kind on any conceivable theory, under, by reason of or in connection with this Agreement, the Bonds or the Indenture, except only to the extent amounts are received for the payment thereof from the Borrowers under this Agreement. The Borrowers hereby acknowledge that the Issuer's sole source of moneys to repay the Bonds will be provided by payments made by the Borrowers to the Trustee pursuant to this Agreement, together with investment income on certain funds and accounts held by the Trustee under the Indenture, and hereby agree that if the payments to be made hereunder shall ever prove insufficient to pay all principal or Purchase Price and interest on the Bonds as the same shall become due (whether by maturity, redemption, acceleration or otherwise), then upon notice from the Trustee, the Borrowers shall pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal or Purchase Price or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the Borrowers, the Issuer or any third party, subject to any right of reimbursement from the Trustee, the Issuer or any such third party, as the case may be, therefor but solely, in the case of the Issuer, from the Revenues.

Section 8.2. Expenses. The Borrowers shall pay or reimburse the Issuer, the Trustee, in its capacities as Trustee, Tender Agent, Bond Registrar and Paying Agent, and any other Paying Agent for, from and against and reimburse them promptly for all reasonable costs and charges, including, without limitation, the Issuer's administrative fees, including but not limited to post-issuance compliance, informational document requests and audits by the Internal Revenue Service of the Bonds and/or the Facilities, the Trustee's compensation provided for in the Indenture and including fees and disbursements of attorneys, accountants, consultants and other experts, incurred in good faith in connection with this Agreement, the Bonds or the Indenture.

Section 8.3. Indemnification. **THE BORROWERS RELEASE THE ISSUER, THE TRUSTEE, IN ALL OF ITS CAPACITIES HEREUNDER, AND ANY OTHER PAYING AGENT, AND THE OFFICERS, EMPLOYEES AND AGENTS OF THE ISSUER, THE TRUSTEE AND ANY OTHER PAYING AGENT (COLLECTIVELY, THE "INDEMNIFIED PARTIES"), FROM, AND COVENANT AND AGREE THAT NONE OF THE INDEMNIFIED PARTIES SHALL BE LIABLE FOR, AND COVENANT AND AGREE, TO THE EXTENT PERMITTED BY LAW, TO INDEMNIFY AND HOLD HARMLESS THE INDEMNIFIED PARTIES FOR, FROM, AND AGAINST, ANY AND ALL LOSSES, COSTS, CLAIMS, DAMAGES, LIABILITIES OR EXPENSES, OF EVERY CONCEIVABLE KIND, CHARACTER AND NATURE WHATSOEVER (INCLUDING BUT NOT LIMITED TO ATTORNEY'S FEES, LITIGATION AND COURT COSTS, AMOUNTS PAID IN SETTLEMENT, AND AMOUNTS PAID TO DISCHARGE JUDGMENTS) DIRECTLY OR INDIRECTLY ARISING OUT OF, RESULTING FROM OR IN ANY WAY CONNECTED WITH (1) THE FACILITIES, OR THE CONDITIONS, OCCUPANCY, USE, POSSESSION, CONDUCT OR MANAGEMENT OF, OR WORK DONE IN OR ABOUT, OR FROM THE PLANNING, DESIGN, ACQUISITION, INSTALLATION OR CONSTRUCTION OF THE FACILITIES OR ANY PART THEREOF; (2) THE ISSUANCE, OFFERING, SALE, DELIVERY OR PAYMENT OF**

THE BONDS AND INTEREST THEREON OR ANY CERTIFICATIONS, COVENANTS OR REPRESENTATIONS MADE BY EITHER BORROWER IN CONNECTION THEREWITH AND THE CARRYING OUT OF ANY OF THE TRANSACTIONS CONTEMPLATED BY THE BONDS AND THIS AGREEMENT; (3) THE TRUSTEE'S ACCEPTANCE OR ADMINISTRATION OF THE TRUSTS UNDER THE INDENTURE, OR THE EXERCISE OR PERFORMANCE OF ANY OF ITS RIGHTS, OBLIGATIONS, POWERS OR DUTIES UNDER THE INDENTURE; OR (4) ANY UNTRUE STATEMENT OR ALLEGED UNTRUE STATEMENT OF ANY MATERIAL FACT OR OMISSION OR ALLEGED OMISSION TO STATE A MATERIAL FACT NECESSARY TO MAKE THE STATEMENTS MADE, IN LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY WERE MADE, NOT MISLEADING, IN ANY OFFICIAL STATEMENT OR OFFERING CIRCULAR UTILIZED BY THE ISSUER OR ANY UNDERWRITER OR PLACEMENT AGENT IN CONNECTION WITH THE SALE OF THE BONDS, PROVIDED THAT THE BORROWERS SHALL HAVE NO LIABILITY UNDER THIS CLAUSE (4) IN ANY SUCH CASE TO THE EXTENT THAT ANY SUCH LOSS, CLAIM, DAMAGE, LIABILITY OR EXPENSE ARISES OUT OF OR IS BASED SOLELY UPON ANY UNTRUE STATEMENT OR OMISSION PERTAINING ONLY TO THE ISSUER MADE IN ANY OFFICIAL STATEMENT OR OFFERING CIRCULAR WITH RESPECT TO THE BONDS UNDER THE HEADINGS "THE ISSUER" OR "LITIGATION—ISSUER"; PROVIDED FURTHER THAT THE FOREGOING RELEASE AND INDEMNITY IN THIS SECTION SHALL NOT BE REQUIRED FOR DAMAGES THAT RESULT FROM OR ARISE OUT OF THE BREACH OF TRUST, NEGLIGENCE OR WILLFUL MISCONDUCT ON THE PART OF THE PARTY SEEKING SUCH RELEASE OR INDEMNITY. THE INDEMNITY REQUIRED BY THIS SECTION SHALL BE ONLY TO THE EXTENT THAT ANY LOSS SUSTAINED BY THE ISSUER OR THE TRUSTEE EXCEEDS THE NET PROCEEDS THE ISSUER OR THE TRUSTEE RECEIVES FROM ANY INSURANCE CARRIED WITH RESPECT TO THE LOSS SUSTAINED. THE BORROWERS FURTHER COVENANT AND AGREE, TO THE EXTENT PERMITTED BY LAW, TO PAY OR TO REIMBURSE THE INDEMNIFIED PARTIES AND THEIR OFFICERS, EMPLOYEES AND AGENTS FOR ANY AND ALL COSTS, REASONABLE ATTORNEY'S FEES AND EXPENSES, LIABILITIES OR EXPENSES INCURRED IN CONNECTION WITH INVESTIGATING, DEFENDING AGAINST OR OTHERWISE IN CONNECTION WITH ANY SUCH LOSSES, CLAIMS (WHETHER ASSERTED BY THE ISSUER, THE TRUSTEE, A BORROWER, A HOLDER, OR ANY OTHER PERSON), DAMAGES, LIABILITIES, EXPENSES OR ACTIONS, EXCEPT TO THE EXTENT THAT THE SAME RESULT FROM OR ARISE OUT OF THE GROSS NEGLIGENCE OF AN ISSUER INDEMNIFIED PARTY, OR NEGLIGENCE OF A TRUSTEE INDEMNIFIED PARTY, OR WILLFUL MISCONDUCT OF THE PARTY CLAIMING SUCH PAYMENT OR REIMBURSEMENT OR RELATE TO PROVISIONS OF THIS INDEMNITY THAT BY THEIR TERMS THE BORROWERS SHALL HAVE NO LIABILITY THEREFOR. THE PROVISIONS OF THIS SECTION SHALL SURVIVE THE DISCHARGE OF THE INDENTURE AND THE RETIREMENT OF THE BONDS. THE DEFINITION OF "INDEMNIFIED PARTIES" HEREIN SHALL NOT BE AMENDED FOR THE PURPOSES OF DELETING OR REMOVING AN INDEMNIFIED PARTY WITHOUT THE WRITTEN CONSENT OF SUCH INDEMNIFIED PARTY.

ARTICLE IX

MISCELLANEOUS

Section 9.1. Notices. All notices, certificates or other communications shall be deemed sufficiently given if sent by electronic mail, facsimile (receipt confirmed) or if mailed by first-class mail, postage prepaid, addressed to the Issuer, each Borrower, the Trustee, or the Rating Agencies then providing a rating on the Bonds, and other parties indicated below, as the case may be, as follows:

To the Issuer:

County of Owen, Kentucky
100 N. Thomas Street
Owenton, KY 40359
Attention: County Judge/Executive
Telephone: (502) 484-3405
Facsimile: (502) 484-1004
Email: judge@owencountyky.us

To the Borrowers/Operating Company/Financing Company:

Kentucky-American Water Company
2300 Richmond Road
Lexington, KY 40502
Attention: Brian Queen, Vice President-Finance
and Treasurer
Telephone: (859) 268-6311
Email: brian.queen@amwater.com

American Water Capital Corp.
1 Water Street
Camden, NJ 08102
Attention: James S. Merante, Vice President
and Treasurer
Telephone: (856) 955-4360
Email: james.merante@amwater.com

To the Trustee, Tender Agent and Paying Agent:

The Bank of New York Mellon
384 Rifle Camp Road
Woodland Park, NJ 07423
Attention: Global Corporate Trust
Vanessa Mesa
Telephone: (973) 357-7827
Email: vanessa.mesa@bnymellon.com

To any Remarketing Agent:

The address provided in the Remarketing Agreement

To any Credit Provider:

The address provided in the Reimbursement Agreement

A duplicate copy of each notice, certificate or other communication given hereunder by the Issuer or either Borrower shall also be given to the Trustee and the other Borrower and any Remarketing Agent and Credit Provider, if applicable. Notices to the Trustee are effective only when actually received by the Trustee. The Issuer, each Borrower, the Trustee, any Remarketing Agent and any Credit Provider, if applicable, may, by notice given hereunder, designate any different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 9.2. Severability. If any provision of this Agreement shall be held or deemed to be, or shall in fact be, illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative, or unenforceable to any extent whatever.

Section 9.3. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.4. Amendments, Changes and Modifications. Except as otherwise provided in this Agreement or the Indenture, this Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the Issuer and the Borrowers and with the written consent of the Credit Provider, if applicable, and of the Trustee, if required, in accordance with Section 9.5 of the Indenture.

Section 9.5. Governing Law. This Agreement shall be construed in accordance with and governed by the Constitution and laws of the Commonwealth applicable to contracts made and performed in the Commonwealth. This Agreement shall be enforceable in the Commonwealth.

Section 9.6. Authorized Representative. Whenever under the provisions of this Agreement the approval of the Borrowers, the Financing Company or the Operating Company is required or any of the Borrowers, the Financing Company or the Operating Company is required to take some action at the request of the Issuer, such approval or such request shall be given on

behalf of the Borrowers, the Financing Company and the Operating Company by its Authorized Representative, and the Issuer and the Trustee shall be authorized to act on any such approval or request and neither party hereto shall have any complaint against the other or against the Trustee as a result of any such action taken.

Section 9.7. Term of the Agreement. This Agreement shall be in full force and effect from the date hereof and shall continue in effect as long as any of the Bonds are Outstanding or the Trustee holds any moneys under the Indenture, whichever is later.

Section 9.8. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Issuer, the Borrowers and their respective successors and assigns; subject, however, to the limitations contained in Section 5.2 and Section 5.8 hereof.

Section 9.9. Complete Agreement. The terms and conditions of this Agreement supersede those of all previous agreements between the parties, and that this Agreement, together with the documents referred to in this Agreement, contains the entire agreement between the parties hereto.

This Agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties.

Section 9.10. Business Days. If any payment is to be made hereunder or any action is to be taken hereunder on any date that is not a Business Day, such payment or action otherwise required to be made or taken on such date shall be made or taken on the immediately succeeding Business Day with the same force and effect as if made or taken on such scheduled date.

Section 9.11. Waiver of Personal Liability. No Indemnified Party or any director, officer, agent or employee of either Borrower or any subsidiary thereof shall be individually or personally liable for the payment of any principal of and interest on the Bonds or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Agreement; but nothing herein contained shall relieve any such member, director, officer, agent or employee from the performance of any official duty provided by law or by this Agreement; provided, however, that no covenant, agreement or obligation contained herein shall be deemed to be a covenant, agreement or obligation of any past, present or future officer, employee or agent of the Issuer in his or her individual capacity so long as he or she acts in good faith, and no such officer, employee or agent shall be subject to any liability under this Agreement or with respect to any other action taken by him or her provided that he or she does not act in bad faith.

Section 9.12. Waivers. Each Borrower and the Issuer hereby (i) irrevocably and unconditionally waives, to the fullest extent permitted by law, trial by jury in any legal action or proceeding relating to this Agreement or the Facilities and for any counterclaim therein and (ii) irrevocably waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any such litigation any special, exemplary, punitive or consequential damages, or damages other than, or in addition to, actual damages.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the COUNTY OF OWEN, KENTUCKY, AMERICAN WATER CAPITAL CORP. and KENTUCKY-AMERICAN WATER COMPANY have caused this Agreement to be executed in their respective corporate names by their duly authorized officers and, with respect to the County, its seal to be affixed hereto and attested by its duly authorized officer, all as of the date first above written.

COUNTY OF OWEN, KENTUCKY

(SEAL)

By_____
ROBERT CASEY ELLIS
County Judge/Executive

ATTEST:

_____
LAUREL D. STIVERS
Fiscal Court Clerk

AMERICAN WATER CAPITAL CORP.

By:_____
Name: James S. Merante
Title: Vice President and Treasurer

KENTUCKY-AMERICAN WATER COMPANY

By: _____
Name: Brian Queen
Title: Chief Financial Officer

EXHIBIT A

DESCRIPTION OF THE FACILITIES

Kentucky-American Water Company received regulatory approval to construct a 20 million gallons per day ("**MGD**") water treatment plant and related transmission mains and other related facilities to meet its customers' needs.

A portion of the water treatment plant, known as Kentucky River Station II ("**KRS II**"), was constructed with a portion of the proceeds of the 2010 Bonds and is located near Pool 3 of the Kentucky River approximately two miles north of Swallowfield along the Franklin and Owen County line but within the corporate limits of Owen County on US Highway 127. It had an initial design capacity of 20 MGD, but is capable of expansion in 5 MGD increments to 30 MGD. It is a conventional water treatment plant that uses rapid mix, flocculation, sedimentation, filtration, and disinfection as treatment. Although a chemical disinfection process is primarily used, KRS II is designed to accommodate the addition of an ultraviolet light disinfection system. Its main building contains wet chemistry and microbiology laboratories. The water treatment plant also is equipped with a standby electric generator to permit plant operation even during power outages.

KRS II draws its water from Pool 3 of the Kentucky River. A portion of the proceeds of the 2010 Bonds was used to construct an intake and raw water pump station located within the corporate boundaries of Franklin County at Pool No. 3 of the Kentucky River near the Owen and Franklin County line. The intake and raw water pump station consists of intake screens and four pumps with an initial reliable design capacity of 24 MGD and an ultimate design capacity of 30 MGD that pump raw water into the water treatment plant.

A portion of the proceeds of the 2010 Bonds also was used to acquire, construct and install water transmission facilities related to the water treatment plant and the intake and raw water pump station consisting of (a) a 20 MGD booster pumping station that is expandable to 30 MGD and water storage tank located within the corporate boundaries of Franklin County on Kentucky Route 1262 north of US Highway 460 and east of Switzer Road required due to the length of the pipeline described in (b) below and (b) approximately 160,000 linear feet of 42-inch ductile iron transmission pipeline located within the corporate boundaries of Owen County and Franklin County from the water treatment plant to the booster pumping station and up to the Franklin and Scott County, Kentucky line that generally follows established transportation corridors of US Highway 127, Kentucky Route 2919, Kentucky Route 1262 and US Highway 460.