



## Term Sheet

<b>Lender:</b>	<b>American Water Capital Corp.</b>
<b>Lender's Credit Rating (Moody's / S&amp;P)</b>	Baa1 (stable outlook) / A- (stable outlook)
<b>Security:</b>	Unsecured
<b>Size:</b>	\$400,000,000
<b>Tenor:</b>	10 1/3 years ( 10 years and 4 months)
<b>Tax Type:</b>	Taxable
<b>Close Date:</b>	November 20, 2013
<b>Maturity Date:</b>	March 1, 2024
<b>Benchmark Treasury:</b>	UST 2.50% due August 15, 2023
<b>Benchmark Treasury Yield:</b>	2.748%
<b>Spread to Benchmark Treasury:</b>	1.150%
<b>Yield to Maturity:</b>	3.898%
<b>Coupon:</b>	3.850%
<b>Price</b>	99.601%
<b>Redemption Provisions:</b>	Treasury + 20 until December 1, 2023; par call on or after December 1, 2023
<b>CUSIP / ISIN:</b>	03040W AK1 / US03040WAK18
<b>Book Runners:</b>	JP Morgan; UBS, Wells Fargo
<b>Co-Managers:</b>	Santander, Mitsubishi, Williams Capital, Blaylock, CL King, Loop, MFR, Mischler
<b>Trustee for Lender</b>	Wells Fargo Bank

PROMISSORY NOTE  
FOR LONG-TERM BORROWINGS  
3.850% Maturity due March 1, 2024

**\$25,000,000**

**November 20, 2013**

FOR VALUE RECEIVED, Missouri-American Water Company, a Missouri corporation (herein "Borrower") hereby promises to pay to the order of American Water Capital Corp., a Delaware corporation ("Lender"), in same day funds at its offices at 1025 Laurel Oak Rd. Voorhees, NJ 08043 or such other place as Lender may from time to time designate, the principal sum of **twenty-five million dollars (\$25,000,000)**, together with interest thereon from the date hereof until paid in full. Interest shall be charged on the unpaid outstanding principal balance hereof at a rate per annum, in accordance with the terms attached, a rate equal to or less than equal to the rate paid and to be paid by Lender with respect to the borrowings it made in order to provide funds to Borrower hereunder. Interest on borrowings shall be due and payable in immediately available funds on the same business day on which the Lender must pay interest on the borrowings it made in order to provide funds to the Borrower hereunder. The principal amount hereof shall be due and payable hereunder at such times and in such amounts and in such installments hereunder as the Lender must pay with respect to the borrowings it made in order to provide funds to the Borrower hereunder. Lender has provided Borrower with a copy of the documentation evidencing the borrowings made by Lender in order to provide funds to Borrower hereunder. In the absence of manifest error, such documentation and the records maintained by Lender of the amount and term, if any, of borrowings hereunder shall be deemed conclusive.

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

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

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

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

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

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

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

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

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

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

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

Missouri -American Water Company

By:   
Mark Shaeffer Director of IP&A



November 14, 2013

Mr. William Rogers, CFA, CTP  
Vice President & Treasurer  
American Water Works Company Inc.  
1025 Laurel Oak Rd.  
Voorhees, NJ 08043-3506

**Re: American Water Capital Corp.  
\$400,000,000 3.85% Senior Unsecured Notes due March 1, 2024**

Dear Mr. Rogers:

Pursuant to your request for a rating on the above-referenced securities, Standard & Poor's Ratings Services ("Ratings Services") has assigned an issue credit rating of "A-".

This letter constitutes Ratings Services' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we've released the rating on [standardandpoors.com](http://standardandpoors.com). Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, Ratings Services may choose to acknowledge such a rating and denote such acknowledgement on [www.standardandpoors.com](http://www.standardandpoors.com) with an alphabetic or other identifier affixed to such rating or by other means.

To maintain the rating, Ratings Services must receive all information as indicated in the applicable Terms and Conditions. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: [matthew.oneill@standardandpoors.com](mailto:matthew.oneill@standardandpoors.com). If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website, please send hard copies to: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041-0003, Attention: Matthew O'Neill.

The rating is subject to the Terms and Conditions attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at [www.standardandpoors.com](http://www.standardandpoors.com). If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

The logo for Standard & Poor's, featuring the company name in a stylized, cursive script.

Standard & Poor's Ratings Services

Analytical Contact:  
Matthew O'Neill  
212 438-4295

# MOODY'S

## INVESTORS SERVICE

Moody's Investors Service, Inc.  
7 World Trade Center at  
250 Greenwich Street  
New York, NY 10007  
+1.212.553.0300 tel  
+1.212.553.4820 fax  
[www.moody's.com](http://www.moody's.com)

November 11<sup>th</sup>, 2013

Mr. William Rogers  
Vice President and Treasurer  
American Water Works Company, Inc.  
1025 Laurel Oak Road  
Voorhees, NJ 08043

Re: American Water Capital Corp.'s  
USD 400,000,000 Fixed Rate (3.85 %) Senior Unsecured Notes due March 1<sup>st</sup>, 2024

Dear Mr. Rogers,

At your request and based on the Prospectus dated November 8<sup>th</sup>, 2013, which we understand is in final form, Moody's has assigned a **Baa1** to the above referenced obligation.

Please refer to *Moody's Rating Symbols & Definitions*, which is available at [www.moody's.com](http://www.moody's.com), for the meaning of Moody's rating(s).

Moody's monitoring of the rating is dependent upon receipt of all relevant information, financial or otherwise, from the issuer or its agents. Failure to submit such information in a timely manner may result in the withdrawal of the rating.

In accordance with our usual policy, assigned ratings are subject to revision or withdrawal by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current rating, please visit [www.moody's.com](http://www.moody's.com).

Credit ratings issued by Moody's are Moody's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities and are not statements of current or historical fact. Moody's credit ratings address credit risk only and do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility.

Moody's credit ratings are not and do not provide investment advice or recommendations to purchase, sell, or hold particular securities. Moody's issues its credit ratings with the expectation and understanding that each investor will make its own evaluation of each security that is under consideration for purchase, holding, or sale.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall Moody's have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of Moody's or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if Moody's is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information.

The assignment of a rating does not create a fiduciary relationship between Moody's and you or between Moody's and other recipients of the rating. Moody's has not consented to and will not consent to being named as an "expert" under the applicable securities laws, including, without limitation, Section 7 of the Securities Act of 1933.

This letter is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents, acting in their capacity as such, that have entered into non-disclosure agreements with Moody's in the form provided by Moody's; (iii) as required by the law or regulation; or (iv) with the prior written consent of Moody's, in which case Moody's reserves the right to impose conditions upon such consent such as requiring that you only disclose this letter in its entirety and/or requiring any third party to enter into a non-disclosure agreement with Moody's in the form provided by Moody's.

Yours faithfully,

***Moody's Investors Service, Inc.***

Moody's Investors Service, Inc.

cc: DH, Global Middle Office



## Missouri-American Water Company

## Missouri Refinancings

<u>New Bond Issuance Date</u>	<u>Outstanding Balance</u>	<u>Call Price per Share</u>	<u>Old Maturity</u>	<u>Old Coupon</u>	<u>New Maturity</u>	<u>New Coupon Rate</u>	<u>New Issuance Costs*</u>	<u>New All-In Rate</u>	<u>Annual Savings</u>	<u>NPV of Savings</u>	<u>NPV %</u>
11/20/2013	\$ 24,946,000	\$100	12/1/2038	8.25%	3/1/2024	3.85%	(\$297,556)	3.994%	\$1,061,767	\$8,810,929	35.3%

\* Estimated as not all invoices have been received to date.