SECURITY SERVICES AGREEMENT

This Agreement dated this first day of November, 1995 by and between KENTUCKY-AMERICAN WATER COMPANY ("Company") and THE FIFTH THIRD BANK, an Ohio banking corporation ("Bank") for the purposes of performing the services indicated below with respect to the Company's securities.

WITNESSETH:

WHEREAS, the Company desires that certain services be rendered by Bank with respect to the issuance, transfer and/or registration of certificates for a number of securities of the company; and

WHEREAS, the Bank being engaged in the business of securities services for issuers of securities desires to provide Company's services.

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, the parties hereby agree as follows:

1) SCOPE. The Company hereby agrees to employ and hire Bank and Bank hereby agrees to provide Company the services indicated below, subject to the terms of this Agreement and the Regulations attached hereto as Exhibit A which are incorporated herein and made a part hereof. In the event of conflict between the terms of this Agreement and the Regulations, the terms of this Agreement shall control.

2) FEES. The Company shall pay the Bank a fee for services rendered as previously agreed. Fees shall be determined quarterly in arrears on the last day of such quarter and payable upon receipt. The Company's failure to pay Bank's fees under this Agreement within thirty (30) calendar days of billing date shall constitute good cause for termination of Bank's Services. In the event of non-payment of Bank's fees, the Company shall be liable to Bank for all reasonable costs of collection, including but not limited to, interest, court costs and attorneys' fees.

3) SERVICES. Bank shall perform the services indicated below in the City of Cincinnati, Ohio effective the first day of November, 1995 with regard to certificates for the securities now or hereafter authorized by the Company's governing documents.

CLASS OF SECURITIES	PAR VALUE	NUMBER OF SHARES NOW AUTHORIZED BY GOVERNING DOCUMENTS	NUMBER OF SECURITIES REPRESENTED BY CERTIFICATES OUTSTANDING AT TIME OF THIS APPOINTMENT
5% Preferred	$100	6,000	6,000
5-1/2% Preferred	$100	5,000	5,000
5-3/4% Preferred	$100	4,700	4,700

Company hereby certifies that all outstanding securities as of the date hereof covered by this Agreement have been duly authorized and are full-paid, non-assessable in the hands of the respective holders thereof.

INSTRUCTIONS. For each item, unless instructed to skip it, if there are boxes then (except as otherwise noted) check one box; and fill in any blank lines (other than blanks applicable to unchecked boxes).

A) TRANSFER AGENT SERVICES. The Bank: X shall ____ shall not provide transfer agent services which include the following:

i) Maintaining shareholder account records, including name, address, taxpayer identification number, shares held and certificate numbers.

ii) Processing of all transfers of certificates including the review of those transfer items requiring supporting documents commonly referred to as "legal transfers".

iii) Furnishing a list of shareholders as of each dividend record date if requested by the Company.

iv) Furnishing a journal sheet reflecting the daily transfer activity if requested by the Company.

v) Maintaining a record of all certificates against which a stop transfer notice has been placed.

B) REGISTRAR SERVICES. The Bank: X shall ____ shall not provide registrar services which include:

i) Maintaining a record of the number of authorized and outstanding shares.

ii) Registering upon original issue or transfer all Certificates for securities.

C) DIVIDEND DISBURSING AGENT SERVICES. The Bank: X shall ____ shall not provide dividend disbursing agent services which include the following:

i) Preparing dividend checks for each shareholder of record as of the record date established for such dividend or dividend credit for those shareholders who participate in the dividend reinvestment plan.

ii) Mailing dividend checks by First Class regular mail.

iii) Maintaining a checking account against which checks will be paid with funds to be supplied by the Company.

iv) Preparing applicable Internal Revenue forms, mailing copies of such forms to the shareholders annually and furnishing a computer tape summary of such forms to the U.S. Treasury Department.

v) Mailing quarterly financial reports of the Company.

vi) Obtaining U.S. Treasury Forms or other certificates with respect to Taxpayer Identification Numbers as may be required under U.S. Treasury regulations.

vii) Withholding of Federal Income Tax on such dividends and processing the payment of that tax over to the U.S. Treasury as may from time to time be required by the U.S. Treasury regulations.

viii) Filing tax information returns on shares held and dividends paid with the various states as requested by the Company.

D) DIVIDEND REINVESTMENT SERVICES. The Bank ____ shall X shall not provide Dividend Reinvestment Agent Services which (if such services shall be performed) shall include the services initialized (frequency of reports and statements should be provided for those items initialized).

i) _____ Collecting the dividends and/or voluntary cash deposits from the holders.

ii) _____ Purchasing of stock at market price on a _____ basis.

iii) _____ Crediting full and fractional shares to the participant accounts.

iv) _____ Updating and balancing participant records as transactions occur.

v) _____ Generating _____ reports for the Company.

vi) _____ Generating _____ statements for the participants.

vii) _____ Issuing, as applicable, all Internal Revenue Service forms.

E) PROXY AGENT SERVICES. The Bank X shall _____ not provide proxy agent services which include the following:

Preparing one set of proxies for the general annual meeting of shareholders for each shareholder of record on the record date established for such meeting. If requested by the Company mailing those proxies along with the proxy statement and annual report; tabulating those proxies voted and furnishing the Company with interim reports and a summary of such vote; and providing the Company with a shareholder list as of record date of the proxy, in alphabetical sequence for the annual meeting of shareholders.

4) AUTHORIZATION OF BANK.

Bank is authorized to countersign for original issue and to deliver when registered by it, certificates for shares in a number not to exceed the number of unissued shares of said securities at such time authorized to be issued by the Company and in such names as Bank may be directed in writing from time to time by the officer or officers authorized to do so pursuant to resolution of the Company delivered to Bank, including, unless otherwise specified, certificates for such number of unissued shares of said stock reserved for issuance upon exercise of options granted under plans or agreements disclosed to Bank by Company in writing.

5) INDEMNIFICATION BY THE COMPANY.

The Company shall indemnify the Bank and hold it harmless from any losses, damages, liabilities and expenses (including reasonable attorney's fees) which the Bank may suffer or incur from claims made against the Bank by reason of any act or omission to act by the Company in the conduct of its business or by any other third party.

The Company shall further protect and hold Bank harmless from any losses, damages, liabilities and expenses (including reasonable attorney's fees) which the Bank may suffer or incur from claims made against the Bank by reason of the Bank's performance of duties as a Transfer Agent, Registrar and Dividend Disbursement Agent, including, without limitation all liability and expense in acting upon any signature, certificate or other document believed by the Bank to be genuine and to have been signed by the proper person, or refusing in good faith to transfer a certificate if it is not

satisfied as to the propriety of the requested transfer; and that notwithstanding the death, resignation, or removal of any officer of the company authorized to sign certificates of stock, the Bank may continue to issue or register such certificates and continue to countersign certificates bearing the manual or facsimile signature of such officer until otherwise directed in writing by the Company.

Bank may perform any of its duties by or through attorneys or agents. Bank shall be entitled to advice of counsel concerning all matters hereunder and may pay reasonable compensation to all attorneys and agents as may reasonably be employed and shall be entitled to reimbursement therefor from the Company. Bank shall not be responsible for any loss or damage resulting from any action or nonaction in good faith in reliance upon such opinion or advice.

6) REPRESENTATIONS OF COMPANY.

a) The Company is duly organized and validly existing and in good standing under the laws of the state of its formation.

b) The execution, delivery and performance by the Company of this Agreement has been duly authorized by all necessary corporate action and properly executed and constitutes the valid and binding obligation of the Company, subject to applicable bankruptcy and insolvency laws and general principles of equity, and will not violate any agreement or instrument by which the Company is bound.

c) The Company agrees to furnish the Bank with any and all information in such forms as the Bank may require in order to comply with the reporting and other requirements of the Securities and Exchange Commission or such other regulatory body having jurisdiction over the services to be performed by the Bank for the Company under this Agreement.

d) Company agrees to maintain records relating to the services performed hereunder for a period of six months and keep such records in a place of ready access for a period of at least six years thereafter and to return copies of such records, cancelled stock certificates, instruments or documents, or any of the foregoing when requested to do so, to Bank, and agrees to indemnify and hold harmless Bank from and against any and all liabilities, losses, damages, costs, charges or expenses, including court costs and attorneys' fees which Bank may suffer or incur by reason of the failure of the Company to do the same.

e) Company shall immediately advise the Bank in writing of all original issues and transfers of certificates for securities made or effected by the Company, and Bank shall not be liable for any act or omission of any other agent of the Company, and further that the Company agrees to indemnify and hold harmless Bank from and against any and all liabilities, losses, damages, costs, charges or expenses, including court costs and attorneys' fees which Bank may suffer or incur by reason of Bank's failing or declining to transfer any certificate for such securities the issue of which Bank shall not have been so advised in writing or any certificate for such securities countersigned or signed by any other agent of the Company of whose appointment Bank shall not have been advised in writing by an authorized officer of the Company.

7) REPRESENTATIONS OF THE BANK.

a) The Bank represents that this Agreement has been duly authorized by all necessary action and constitutes a valid and binding obligation of the Bank, subject to applicable bankruptcy and insolvency laws and general principles of equity.

b) The Bank warrants and represents that it presently has and shall maintain during the term of this Agreement adequate staff and facilities to perform the services as herein before provided.

c) The Bank agrees to furnish the Company with all information and such forms as the company may require in order to comply with the reporting or other requirements of the Securities and Exchange Commission or such other regulatory body having jurisdiction over the services to be performed by the Bank for the Company under this

Agreement.

8) TERM. This Agreement shall be a continuous contract between both parties beginning at its effective date and may be cancellable to either party upon sixty (60) days written notice by Registered Mail return receipt requested. The Company shall provide Bank with the name of a successor securities services provider within thirty (30) days of the date set for termination of the Agreement and Bank shall forward records to such successor. If the Company fails to provide the name of a successor within said thirty (30) days, Bank shall forward records to the Company. In the event that the Company cancels this Agreement, Company shall pay a termination fee equal to the greater of: (i) the minimum annual fee as currently in effect at the time of termination or (ii) the fees paid hereunder attributable to the six-month period preceding such termination.
The termination fee payable in this section is payable as consideration for the lack of a definite term during which this Agreement shall be in effect and is not a penalty for such termination.

9) NOTICES. Any notices required or permitted to be given shall be deemed effective upon receipt when sent by Certified Mail, Return Receipt Requested to the following address:

BANK: The Fifth Third Bank
Stock Transfer Department
38 Fountain Square Plaza
Cincinnati, Ohio 45263
Attention: Randolph J. Stierer

COMPANY: Kentucky-American Water Company
200 East Park Drive, Suite 600
Mt. Laurel, New Jersey 08054
Attention: Kathy L. Pape, Regional Counsel

or to such other addresses which a party may later designate.

10) EXPENSES. The Company further agrees to reimburse the Bank for all out of pocket expenses, including but not limited to the following:

a) Courier charges plus insurance for any and all shipments.

b) Postage and insurance on mailing stock certificates, dividend checks and other mailings.

c) Reimbursement for envelopes, printing of checks, other forms and other cost of supplies directly related to the Company's shareholder requirements.

d) Reimbursement for costs incurred in distributing materials to the beneficial owners of the Company's stock.

e) Fees of counsel or agents.

11) MISCELLANEOUS.

a) Except as herein before provided, the terms and conditions of this Agreement shall not be amended, supplemented or otherwise changed except in writing signed by both of the parties hereto.

b) The headnotes contained herein are considered only as a matter of convenience and for reference and in no way define or limit the scope or intent of this Agreement or in any way effect this Agreement.

c) This Agreement contains the entire Agreement of the parties and no representations, inducements, promises or agreements or otherwise not embodied herein shall be of any force or effect.

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d) The representations and warranties contained herein shall survive the terms of this Agreement but not beyond the applicable statute of limitations.

e) If any section, subsection, sentence, clause, portion of this Agreement or underlying the Agreement is for any reason held invalid or unconstitutional by any court, federal or state agency of competent jurisdiction, such portions shall be deemed a separate, distinct and independent provision and such holdings shall not effect the validity of the remaining portions hereof.

f) This Agreement shall be controlled by the laws of the State of Ohio.

IN WITNESS WHEREOF, each of the parties have executed this Agreement as of the date first written above.

ATTEST:

Laura A. Hayden

THE FIFTH THIRD BANK

By: _____

Its: Asst. Vice President

ATTEST:

_____

COMPANY:
KENTUCKY-AMERICAN WATER COMPANY

By: _____

Its: Vice President & Treasurer

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EXHIBIT A

Regulations of

THE FIFTH THIRD BANK

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Kentucky-American Water Company

Stock Transfer Fee Schedule

Annual Administrative Fee	$6,000.00

Fees include: all routine maintenance and transactions for registered shareholders with limitations as noted below:

- Maintenance of open and closed accounts
- Issuance and posting of certificates
- Preparation of monthly shareholder lists
- Proxy preparation and tabulation for all registered shareholders.
- Dividend payments and 1099 filings

Out of pocket expenses including but not limited to: postage, insurance, stationary, wire transfers, legal fees, etc. will be billed as incurred. Special projects such as stock dividends, stock splits, acquisitions, redemptions or calls, merger activity, internet access, original issuances, etc. are not considered routine transactions and will be billed on an appraisal basis. If there is a need for a special shareholders meeting, fees will be determined based upon level of service requested.